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TRADE AND DEVELOPMENT BOARD
Special Committee on Preferences
Twenty-first session
Geneva, 16 May 1994
Item 2 of the provisional agenda

ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

Provisional agenda and annotations to the provisional agenda

Note by the UNCTAD secretariat

I. PROVISIONAL AGENDA

1. Election of officers

2. Adoption of the agenda and organization of work

3. Review of the implementation, maintenance, improvement and utilization of the generalized system of preferences, including preparations for the 1995 policy review on the GSP

4. Consultations on harmonization and improvement of the rules of origin

5. Technical assistance in connection with the generalized system of preferences

6. Provisional agenda for the twenty-second session of the Special Committee on Preferences

7. Other business

8. Adoption of the report of the Special Committee on Preferences to the Trade and Development Board.

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II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Introduction

By its resolution 77 (III), the United Nations Conference on Trade and Development decided to establish the Special Committee on Preferences as a permanent mechanism within UNCTAD. Its terms of reference are described in section VIII of the agreed conclusions adopted by the Special Committee at its fourth session. Accordingly, at its twenty-first session the Committee will, inter alia, carry out the periodic review of the generalized system of preferences.

The twenty-first session of the Special Committee will be held at the Palais des Nations, Geneva, from 16 to 20 May 1993.

Item 1: Election of officers

At its fifth session, the Committee decided to apply the seven-session cycle of rotation (like that annexed to the rules of procedure of the former Committee on Manufactures).

Accordingly, the twenty-first session corresponds to the fourth session of a seven-session cycle, and the Chairman of the twenty-first session will be elected from among the representatives of countries members of List A, while the Rapporteur will be selected from among the representatives of countries members of List B.

The Committee will complete its Bureau by electing five Vice-Chairmen, in accordance with rule 19 of the rules of procedure of the former main Committees 1/ (i.e. one from List B, one from List D and three from Lists A and C combined).

Item 2: Adoption of the agenda and organization of work

The provisional agenda for the twenty-first session of the Special Committee on Preferences was approved by the Special Committee on Preferences at its 180th plenary meeting on 14 May 1993. At that session, the Special Committee on Preferences decided to begin preparations for the 1995 policy review on the GSP. This twenty-first session should therefore be considered, inter alia, as a preparatory meeting for the 1995 policy review on the GSP. In view of these special tasks of the twenty-first session, the Special Committee also agreed that Governments may be invited to sponsor the participation of eminent and competent personalities in the twenty-first session of the Special Committee.

In its decision 179(XVIII) of 17 September 1978, the Board stipulated that the annual sessions of the Special Committee on Preferences should be conducted according to the following procedure:

"1. The plenary meetings of the Special Committee on Preferences should be devoted primarily to issues of a general character concerning the generalized system of preferences;

"2. During the sessions of the Special Committee on Preferences, informal plurilateral consultations should be held on individual schemes, if so requested, between preference-receiving countries, on the one hand, and the preference-giving country concerned, on the other. These plurilateral consultations would be private and confidential in character."

In his note of February 1994, the Secretary-General of UNCTAD invited States members which were interested in holding plurilateral consultations to advise the secretariat well in advance of the twenty-first session of the Special Committee so that the necessary arrangements could be made for holding such consultations. The secretariat will in due course inform States members concerned of requests received and of consequent arrangements for consultations.

As noted in the annotation to item 4, that item is to be considered in a sessional committee. It is suggested that, in accordance with usual practice, the sessional committee elect a Chairman and a Vice-Chairman-cum-Rapporteur.

Item 3: Review of the implementation, maintenance, improvement and utilization of the generalized system of preferences, including preparations for the 1995 policy review on the GSP

The Special Committee will have before it the "Seventeenth general report on the implementation of the generalized system of preferences" (TD/B/SCP/6). The first part of this report covers in chapter I the changes and improvements that have taken place in the various schemes since the twentieth session of the Special Committee on Preferences. Chapter II updates the trade effects of the system to cover the most recent period for which information is available. The second part of the report analyses the various shortcomings currently affecting the GSP schemes and evaluates in a preliminary manner possible consequences of the Uruguay Round agreements on the GSP schemes. It contains policy proposals to revitalize and give new dynamism to the GSP schemes.

Also relevant to this agenda item are the replies received from preference-giving countries on the operation and effects of the various schemes (issued in the series TD/B/C.5/PREF).

Item 4: Consultations on harmonization and improvement of the rules of origin

In its resolution 352 (XXXIV), the Trade and Development Board endorsed the recommendations of the Ad Hoc Intergovernmental Working Group on the In-Depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields, and the Working Group on Rules of Origin was converted into a sessional committee of the Special Committee on Preferences. 2/ The secretariat has prepared a report entitled "Consultation on harmonization and improvement in the rules of origin - review of past discussions: possible ways forward" (TD/B/SCP/8) in order to assist the Committee in its tasks of identifying and promoting the adoption of initiatives relating to the harmonization, simplification and liberalization of the GSP rules of origin, in response to Conference resolution 159 (VI). If

it is deemed necessary, the Special Committee will convene a sessional committee to discuss and address the issues contained in this report.

Item 5: Technical assistance in connection with the generalized system of preferences

The Special Committee will have before it a report on "Technical cooperation activities on the generalized system of preferences and other trade laws, 1993" (TD/B/SCP/7). The report underscores the importance of these activities and addresses the financial viability of the Geneva-based programme of technical cooperation on the GSP.

Item 6: Provisional agenda for the twenty-second session of the Special Committee on Preferences

In accordance with rule 8 of the rules of procedures of the former main Committees (by which the Special Committee is guided), during the session the secretariat will submit a draft provisional agenda for the twenty-second session of the Committee.

Item 8: Adoption of the report of the Special Committee on Preferences to the Trade and Development Board

The Board, at its executive session prior to the second part of its fortieth session, will consider the report of the Special Committee.

The attention of the Committee is drawn to paragraph 6 of decision 302 (XXIX) adopted by the Board on 21 September 1984, whereby the Board instructed its main Committees and other subsidiary bodies to ensure that their reports were concise, action-oriented and not exceeding the limit of 32 pages. The Special Committee may wish to invite the Rapporteur, in cooperation with delegations and the secretariat, to make every possible effort to conform to this decision of the Board.

Notes

1/ At its fifth session the Committee decided to continue being guided, as appropriate, by the rules of procedure of the Committee on Manufactures (ibid., para. 230), which have since been incorporated into a consolidated set of rules of procedure of the main Committees of the Board (TD/B/740).

2/ TD/B/1154.

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TRADE AND DEVELOPMENT BOARD
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Geneva, 16 May 1994
Item 3 of the provisional agenda

REVIEW OF THE IMPLEMENTATION, MAINTENANCE, IMPROVEMENT AND UTILIZATION OF THE GENERALIZED SYSTEM OF PREFERENCES

Seventeenth general report on the implementation of the generalized system of preferences: Recent changes and policy issues

Report by the UNCTAD secretariat

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Introduction

1. This report has been prepared (a) to assist the Special Committee on Preferences in its seventeenth periodic review of the operation and effects of the system; and (b) in response of the Committee's request to UNCTAD secretariat to study possibilities for improving the functioning and enhancing the impact of the GSP in the light of the evolution of the international economic and political environment.

PART I

I. CHANGES AND IMPROVEMENTS IN THE SYSTEM 1/

A. Beneficiaries

2. With effect from 1 April 1993, Austria added to its list of beneficiaries the Republic of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Tajikistan, Turkemenistan, Ukraine and Uzbekistan. As from 30 January 1993, the Czech Republic and Slovakia have been separately included in the list of beneficiaries under the Austrian scheme applying full cumulation to these two countries. As a consequence of the already applied free trade agreement between certain beneficiary countries and the EFTA States, these beneficiaries have been eliminated from the Austrian list of beneficiaries. These countries are Turkey, as from 1 April 1993, the Czech Republic and Slovakia, as from 1 June 1993, and Israel, as from 1 July 1993. The other countries which will be eliminated from the Austrian scheme in the course of 1994 are Bulgaria, Hungary, Poland and Romania. Yugoslavia has been deleted from the list of Austrian beneficiaries as from 1 January 1993.

3. The European Union extended GSP benefits for MFA textiles when imported from the Confederation of Independent States former members of the ex-USSR. Consequently, new individual fixed duty-free amounts and/or individual ceilings have been opened for each of these new beneficiaries. 2/

4. Finland deleted the name of Yugoslavia from its list of beneficiaries and added Bosnia-Herzegovina and the former Yugoslav Republic of Macedonia as well as Saint Kitts and Nevis. Israel has been deleted from the Finnish list of beneficiary countries because of the free trade agreement EFTA countries have concluded with Israel. For the same reason, GSP benefits granted to Turkey have been repealed with the exception of some textile articles for which GSP treatment will be granted until the end of the year 1995.

5. As from 1 April 1993, Japan grants preferential treatment to Croatia, Slovenia, the Republic of Slovakia and the Czech Republic.

6. With effect from 1 August 1993, the Czech Republic and Slovakia were included separately under the coverage of New Zealand's scheme. 3/ As from 1 November 1992, the Republics of Croatia, Slovenia, Bosnia-Herzegovina and the former Yugoslav Republic of Macedonia were included while the former socialist Federal Republic of Yugoslavia was removed. With effect from 1 January 1994, Taiwan Province of China ceased to qualify for preferential tariff rates under New Zealand's scheme.

7. As from 9 July 1993, Norway extended the benefits of preferences to Albania and as from 29 October 1993 to the former Yugoslav Republic of Macedonia. As a consequence of the entry into force of the free trade agreement between Norway and Romania, on the one hand, and Norway and Bulgaria, on the other, the existing GSP treatment of Romania and Bulgaria was withdrawn as from 1 October 1993.

8. Sweden added to its list of beneficiaries under its GSP scheme Croatia and Slovenia as from 1 March 1992, Brunei Darussalam as from 1 January 1993, and the former Yugoslav Republic of Macedonia, Bosnia-Herzegovina as from 1 April 1993. Israel has been deleted from the list of beneficiaries under the Swedish GSP scheme as from 1 April 1993 and Bulgaria and Romania as from 1 October 1993, owing to their EFTA free trade agreements.

9. As from September 1993, the United States of America added separately to its list of beneficiaries under the GSP scheme, the Czech Republic and Slovakia. Effective 18 October 1993, the United States extended GSP treatment to the Russian Federation and, from 24 December 1993, to Kyrgyzstan. The United States has received further requests for GSP treatment from the Ukraine, Kazakhstan and Romania. In this connection, in his declaration of 11 August 1993, the United States Trade Representative declared that "the [United States] Legislation also removes the statutory prohibition against providing GSP benefits to countries which made up the former Soviet Union. This change will encourage all newly independent States to pursue badly needed market reforms".

10. As from 29 June 1993, Albania has been added to the list of the United States GSP beneficiaries. With effect from 17 June 1992, Syria was removed as a beneficiary as was Mauritania, as from 29 June 1993, as they had allegedly not taken steps to accord internationally recognized workers' rights. Under the United States GSP law, countries must take steps to accord internationally recognized workers' rights to retain their eligibility for United States GSP benefits. The GSP statute requires further that the United States Administration take account of the extent to which beneficiary countries provide adequate and effective intellectual property rights and other factors. For such reasons, beneficiary countries are reviewed in response to petitions from interested parties. During 1993, worker rights reviews of 10 countries were continued from previous years: Bahrain, El Salvador, Fiji, Guatemala, Indonesia, Malawi, Mauritania, Oman, Panama and Thailand. While the review of Panama was terminated successfully, Mauritania and Syria lost their GSP benefits as noted above. On 5 October 1993 new worker rights reviews were initiated for six countries: Costa Rica, Dominican Republic, Maldives, Pakistan, Paraguay and Peru. The reviews of Costa Rica, Paraguay and Malawi were subsequently terminated successfully. Under intellectual property rights provision, reviews of the Dominican Republic, Guatemala and Honduras were continued in 1993 from previous years. In addition, reviews of Cyprus, Egypt, El Salvador, Poland and Turkey were initiated in 1993. An ongoing review of Peru's eligibility for GSP benefits with respect to the expropriation provisions of the GSP law was terminated in 1993. 4/

B. Product coverage

11. Under the Australian scheme, textile yarns will be excluded as from 1 July 1995 and a 5 per cent MFN rate of duty will apply to imports from all sources. 5/

12. Under the Austrian scheme, with effect from 1 March 1993, preferential treatment has been extended to include sweet pepper (in immediate packing of a content exceeding 1 kg). 6/ Certain industrial products have been added to the product coverage under the Finnish scheme, 7/ whereas certain dyed or printed fabrics made of synthetic filament yarns (H.S. ex 5407) have been deleted.

13. The most recent change in the GSP scheme of Poland, which came into force on 1 January 1992, was the extension of the list of products to which preferential rates do not apply (negative list). The products added to that list include some sensitive agricultural products, textiles, alcoholic beverages, tobacco products and luxury goods subject to increased tariff rates, e.g. gold and gold products, precious stones, jewellery and cosmetics. The negative list was also extended to include calcium phosphates, motor and fuel oil, natural gas, passenger cars and buses. 8/

14. As a result of the 1992 United States GSP product review, two new items, 9/ valued at US$ 7.7 million have been designated for GSP treatment and one item 10/ has been removed with effect from 1 July 1993.

C. Safeguards

15. On 12 March 1991, the Australian Government 11/ announced that the margin of preferences for goods from Hong Kong, the Republic of Korea, Singapore and Taiwan Province of China would begin to be phased out as from 1 July 1992. Rates of duties applied to imports from these countries have been frozen at the rate applicable at that date until the MFN rate falls to the preferential rate. Thereafter the MFN tariff will apply.

16. The Australian Government has decided to modify the Australian Tariff Preferences (ASTP) by gradually removing preference margins on certain items where general tariff rates are being phased down under Australia's wide-ranging tariff reform programme. The goods covered by the Australian Government's decision are: textiles, clothing and footwear, chemicals, sugar, vegetable and fruit preparations (including fruit juice), tuna, and dried fruit. For all beneficiaries except the least developed countries (LDCs) and South Pacific Island territories, the preferential rate for each item affected will remain at the current level until the general tariff rate reaches or is reduced below that level, at which time the general tariff rate will apply. These changes came into effect as the last reduction in general tariff rates, on 1 July 1993. However, for textiles, clothing and footwear, changes will come into effect on 1 July 1994.

17. Under its GSP scheme for the fiscal year 1993 (1 April 1993 to 31 March 1994), Japan made a significant improvement in liberalizing preferential trade for 20 product groups, 12/ which are no longer subject to ceilings and/or maximum country amounts. In addition, some products have

been deleted from a product group in which they had been subject to a ceiling. 13/ The level of ceilings has been increased in the case of 47 product groups by 3 to 6 per cent, but remained unchanged at its 1992 level for 74 product groups. Administration of ceilings has been relaxed for three product groups. 14/ Flexible administration of ceilings has been introduced for one product group 15/ and has been deleted and replaced by flexible administration of maximum country amounts for one product group. 16/ Flexible administration of a maximum country amount has been applied to one product group. 17/

18. Under New Zealand's scheme, as from 1 August 1992, nine beneficiary countries have been graduated vis-à-vis one or more products 18/ while four beneficiary countries have been reinstated for preferences regarding some products which had been graduated previously. 19/ With effect from 1 July 1992 the value benchmark for product graduation was increased from NZ$ 100,000 to NZ$ 112,000 in line with the 12 per cent increase in New Zealand's producers' price index for manufacturing since 1988. With effect from 1 July 1993 the value benchmark was increased to NZ $117,000 in line with a further 4.7 per cent increase in the producers' price index. Furthermore, up to now, under the scheme of New Zealand, 19 previous beneficiary and/or territories have been graduated. 20/

19. Effective 1 July 1993, the United States made the following changes:

(a) Competitive need limit waivers were granted to two products. 21/ Waivers were requested but denied to four other products 22/ and the review of one waiver request 23/ is to be continued for another year;

(b) Individual countries previously excluded from GSP benefits for particular items may be redesignated for United States GSP benefits if their 1992 imports of the items fell below the current 1992 competitive limits. The competitive need limit established for imports in 1992 was $101,046,259 or 50 per cent. (A lower limit of $39,187,821 or 25 per cent of all imports applied where a beneficiary country was found to be sufficiently competitive with respect to a product.) One item has been redesignated 24/ within the review. A total of 117 other items eligible for such treatment, representing some US$ 1.1 billion, have been denied redesignation vis-à-vis 10 beneficiary countries and therefore were graduated; 25/

(c) As a result of the de minimis provision, 26/ imports of 207 items from 30 beneficiary countries valued at US$ 409 million were granted the de minimis waiver. Thirty-seven other items from six beneficiaries valued at US$ 104 million were denied the de minimis waiver.

20. As a result of the annual review, competitive need exclusions amounted to approximately US$ 9 billion based on 1992 trade as compared to US$ 7.1 billion affected by statutory exclusions in 1992. Of this amount, $1.2 billion consisted of trade in items where a beneficiary lost eligibility for the first time. 27/ Altogether 127 harmonized tariff schedule items were excluded in respect to one or more beneficiaries affecting 19 beneficiaries. 28/

21. It was found that the per capita gross national product for Israel exceeds the applicable limit provided in the United States GSP law;

from 1 July 1993 until 30 June 1995 preferential treatment shall be applied at lower ceilings (25 per cent and/or the lower limit in value). After 1 July 1995, Israel shall no longer be treated as a beneficiary developing country for purposes of the GSP. 29/

D. Rules of origin

22. As from 10 July 1993, Austria has fully aligned its GSP rules of origin for petroleum products with those recently introduced by the European Union. As from 1 November 1993, Japan introduced an amendment to the rules of origin under its GSP scheme which relaxes the rule such that the articles falling under Harmonized System Chapter 62 are eligible for GSP even if they are manufactured from imported fabrics within a beneficiary country. 30/ This constitutes one major step towards liberalization of the process criterion under the rules of origin of the Japanese scheme. However, there are some exceptions to the new rule which are still subject to the previous conditions. 31/

23. This amendment responds to the development of international specialization in the textile industry. It is expected to increase the number of cases where textile products exported to Japan from developing countries would be considered as GSP eligible. 32/

E. Least developed countries (LDCs)

24. As of March 1993, Canada has designated Cambodia, Liberia, Madagascar, Mozambique, Solomon Islands, Zaire and Zambia as least developed among developing countries, and has extended the benefit of free rates of customs duty to all goods covered by the GSP Canadian Scheme from those originating countries.

25. With effect from 1 August 1993, Cambodia, the Federated States of Micronesia, Mozambique, Myanmar, Solomon Islands, Zaire and Zambia were included as least developed countries for the purposes of preferences under the scheme of New Zealand.

26. As from 1 January 1992, Liberia was added to the list of LDCs under the GSP scheme of Poland.

27. Sweden added Uganda to its list of LDC beneficiaries as from 1 April 1993 and Benin as from 1 October 1993.

F. Duration of the system

28. The validity of the GSP scheme of Austria has been extended for another two years (until 31 December 1994).

29. The European Union Council extended its GSP scheme from 1 January 1994 to 30 June 1994. 33/ Consequently, only half of all individual fixed duty-free amounts and/or individual ceilings which were put into force during the year 1993 will be available for the first six months. However, the EEC scheme shall be automatically extended until 31 December 1994 if the Council has not adopted the new generalized tariff preference arrangements by 15 June 1994.

The volume of the preferential amounts for the six-month period to 31 December 1994 shall correspond to half the annual volume of the corresponding amounts set for 1993. 34/

30. On 11 August 1993, the United States representative announced that the GSP which had expired on 4 July 1993, was extended for a period of 15 months until 30 September 1994, as part of the Budget Reconciliation Act signed by the United States President. In this connection the legislation extending GSP was retroactive to 4 July 1993, enabling importers to receive a refund of duties paid on GSP items since that date.

31. In this connection, the United States Trade Representative, when announcing the extension of the United States scheme, declared that: "the [United States] Administration strongly supports the GSP programme. It serves as a tool to promote economic development, the expansion of markets in developing countries and the overall trade policy of the United States. The [United States] Administration will spend the coming year working closely with the Congress, studying ways in which the programme can be improved. [The] goal is a long-term renewal of an improved GSP."

II. TRADE EFFECTS OF THE SYSTEM

32. Since the last publication of the review of the GSP, 35/ additional statistics have been received from several preference-giving countries for the years 1991 and/or 1992. This updated information is contained in annex I.

33. As shown in table 1 of annex I, total imports by OECD preference-giving countries in 1992, 36/ from their beneficiaries amounted to $426 billion, of which 71.1 per cent or $302.9 billion were MFN dutiable and therefore fell within the purview of the GSP. However, only $156.4 billion or 51.6 per cent of these dutiable imports consisted of products covered by the schemes and $77.4 billion or 49.5 per cent of these covered imports actually received preferential treatment in 1992.

34. When preferential imports of the Central and Eastern European countries in transition 37/ from their beneficiaries are added to the sum of OECD countries' preferential imports, the amount of preferential imports under all GSP schemes in operation would amount to about $80 billion. This means that preferential imports in 1992 under the GSP system increased roughly eight times over those of 1976 when all GSP schemes were first in operation.

35. The ratio of preferential imports (or imports which actually received preferential treatment) to covered imports ("utilization rate") of the OECD countries attained in 1992 was 49.5 per cent. Utilization rates varied from one scheme to another from 39 per cent in the case of Austria to 100 per cent in the case of Australia and Hungary.

36. The utilization rate under the EEC scheme continued to increase from 44.4 per cent in 1990 to 48 per cent in 1992. It should be noted that the EEC preferential imports alone amounted to almost half of total preferential imports of all OECD preference-giving countries: this share increased from 44.4 per cent in 1991 to 46.1 per cent in 1992. 38/

37. With respect to the United States scheme, the utilization rate decreased from 50.8 per cent in 1991 to 46.9 per cent in 1992. However, this rate was still higher than the 44.8 per cent rate attained in 1989 and 1990. In absolute terms, preferential imports continued to expand by 22.5 per cent.

38. The utilization rate of the scheme of Japan continued to decline from 47.5 per cent in 1991 to 46.1 per cent in 1992. The apparent reason for this trend has been attributed to further liberalization, as MFN duties of several products covered by that scheme were reduced to zero and as several tariff ceilings had been removed or had remained frozen at their same low levels fixed a long time ago.

39. As shown in table 2 of annex I, between 1976 and 1992 the annual average increase of preferential imports by OECD preference-giving countries amounted to 13.4 per cent. 39/ This rate is almost double that of total imports from all beneficiaries and nearly more than one and a half times that from all sources. Between 1991 and 1992, total imports from all beneficiaries by OECD preference-giving countries increased by 8.6 per cent or slightly below the total imports of these countries from all sources. However, there was a decline in total imports between 1991 and 1992 by some individual preference-giving countries from their beneficiaries. Preferential imports increased by 20.8 per cent in 1992, reflecting the greater relevance of GSP to certain beneficiary countries as they adapt their production and expand their export capabilities in product lines covered by the GSP.

40. As shown in table 3 of annex I, imports by OECD preference-giving countries from the least developed countries amounted to $5.2 billion in 1992. Of these, 58.9 per cent or $3 billion were MFN dutiable, of which $1.9 billion or 61.7 per cent consisted of products covered by the schemes. However, imports which actually received preferential treatment were valued at only $979 million. The rate of utilization by LDCs varied from one year to the next between individual donor countries. However, it remains higher than that of all beneficiaries. 40/

41. As shown in table 4 of annex I, total imports by OECD countries from LDCs increased strongly between 1976 and 1992. The annual average rate of increase (9.2 per cent) is higher than that of imports from all sources. This increase could be explained by the inclusion of new countries under the list of LDC beneficiaries under the various schemes over the years since the 1976 base year of calculation. The annual average increase for LDCs is more rapid than in the case of all beneficiaries during the same period (9.2 per cent for LDCs instead of 7.9 per cent for all beneficiaries) while the growth rate of preferential imports from LDCs for the same period was quite similar (13 per cent) to that of all beneficiaries (13.4 per cent). Between 1991 and 1992, total imports as well as preferential imports decreased in the case of several preference-giving countries. The decline in these imports from LDCs is apparently owing to the economic difficulties faced by the LDCs, their continuing reliance on traditional products and commodities which are experiencing low world market prices and the general mismatch between export capabilities and the limited product coverage under some schemes. However, the positive annual average increase between 1976 and 1992 of total imports and preferential imports as well as those between 1991 and 1992 are owing to the continued rise in imports by the European Union and Japan from the LDCs.

In 1992, these two importers together accounted for more than 85 per cent of preferential imports of all OECD preference-giving countries from the LDCs as compared to 83 per cent in 1991.

42. Table 5 of annex I shows imports of the three major GSP schemes from all their beneficiaries as well as from their major suppliers. In 1992, the percentage share of the three major GSP schemes (European Union, Japan and the United States) in total imports of all OECD preference-giving countries amounted to more than 90 per cent. The share of covered products amounted to 87.6 per cent while that of received preferences was 83.6 per cent. These facts underline the importance of the three major GSP schemes within the system. In this connection, it should be recalled that two of them, i.e. those of the European Union and the United States, have been extended on an interim basis and ways and means are apparently still being considered for a third period of extension. Japan extended its scheme up to 31 March 2001. Their major suppliers 41/ are more or less the same (some seven/eight beneficiaries) under each scheme, keeping in mind that the Republic of Korea, Singapore, Hong Kong and Taiwan Province of China have been graduated from the United States scheme as they became highly competitive. In addition, China did not appear under the United States scheme because it is not a beneficiary. For the same reason, Taiwan Province of China does not appear on the European Union list.

43. In spite of the lesser number of beneficiary countries which are substantially gaining from preferences under these three schemes, there is still enough room for the other beneficiaries which constitute the core of the developing countries. The extension of the two major schemes mentioned above with some improvements, i.e. extension of product coverage, to include products of special export interest to these beneficiaries is very important, as would be similar improvements in product coverage by other preference-giving countries.

PART II

POLICY ISSUES

A. The emerging economic and policy environment for the GSP

44. The UNCTAD VIII Cartagena Agreement and the follow-up debate in the Special Committee on Preferences have provided new policy guidelines for the future development of the GSP. The Conference had confirmed the validity and continued need for the GSP and its major principles. The paragraphs 134 to 140 of the Cartagena Agreement called for a number of specific improvements to the GSP schemes 42/ with respect to comprehensive product coverage; minimizing limitations and restrictions on preferential imports; simplification and harmonization of rules of origin; reduction or elimination of non-tariff measures affecting GSP benefits; implementation of the special measures in favour of least developed countries agreed upon in the Paris Programme of Action; and with MFN rates brought down by the Uruguay Round, an increase in preference margins and duty-free treatment. The Conference further urged UNDP and potential donor countries to increase their contributions to the UNCTAD technical assistance programme on GSP in order to

allow developing countries to benefit fully from the system (the text of the relevant portions of the Cartagena Agreement is contained in annex II).

45. In May 1993, the Special Committee agreed that the GSP system should be revitalized and that fresh and innovative approaches should be taken to its design, review and improvement. 43/ There was a general consensus that the Committee should launch preparations for a policy review on the GSP and the UNCTAD secretariat was entrusted to study possibilities for improving the functioning and enhancing the impact of the GSP, in the light of the evolution of the international economic and political environment.

46. Recently the international economic and political environment has undergone drastic changes which exert a major influence on the GSP. The main ones include: the conclusion of the Uruguay Round; the rapid intensification and expansion of large economic spaces around major trading nations; major outward-oriented policy reforms in a number of developing countries; rapid progress in globalization of production, investment and trade; and the integration of economies in transition into the world economy.

Policy reform in developing countries

47. The policy reforms undertaken by a large number of developing countries have brought about major autonomous liberalization of trade and investment and industrial deregulation. While these reforms have broadly achieved a significant rise in outward-orientation and increasing intensity of exports, their success also depends on free access to major export markets. However, in many countries and industries important productivity differentials continue to prevail vis-à-vis major world markets suppliers. The need for free GSP access and for an additional competitive edge through preferences thus remains.

48. The GSP has proven that it is capable of assisting developing countries to overcome such obstacles. GSP has been highly appreciated by many developing countries in the South-East Asian and other regions for the expansion and diversification of their exports to developed countries. It remains the most efficient instrument for development cooperation in the field of trade and is well adapted to changing trade policies, as it is market-based, price-related and performance-oriented.

Globalization

49. Globalization of international production, investment and trade has progressed dynamically. Developing countries will be progressively integrated into this new network of international specialization and organization of production. The GSP can support this trend, if it is improved to impart the stability required for investment decisions. Globalization also calls for the adaptation of GSP rules of origin to these new realities. 44/

Large economic spaces

50. The rapid intensification and geographical expansion of economic integration groupings and free trade arrangements centred around major trading nations has brought about a major erosion of the value of GSP preferences. If

in the past GSP provided effective advantages on North American and European markets vis-à-vis the major suppliers from the same regions, this situation has now been largely inverted: by and large all countries in these two regions have turned from outsiders to "insiders" of such groupings, and their mutual trade is going to be totally liberalized from tariffs and NTMs. GSP beneficiaries have lost their previous privileged status: instead of the previous preferential price edge, for many products they now face a relative price disadvantage whenever GSP benefits are not extended to certain products or to zero duties. For example, previously GSP beneficiaries were better off on the Canadian market than were the United States of America or the Scandinavian countries vis-à-vis the EEC. With the creation of NAFTA, the European Economic Space and eventual full membership of Scandinavian and other countries in the European Union, Canada will be better off than GSP beneficiaries for agricultural products and other products excluded from GSP coverage in the United States market; and Scandinavian suppliers will be much better off in agricultural products, food, textiles and clothing in the European Union, and vice versa. As a result, it has now become as important for GSP beneficiaries to be put again on an equal footing with the new members of such groupings as it is to maintain a preferential price margin to improve their competitive position vis-à-vis exporters subject to MFN treatment. Intensification and expansion of groupings therefore requires parallel extension of product coverage under GSP and progressive removal of duties and non-tariff measures.

51. Progress in integration has also various further implications for developing countries and the GSP depending on the specific schemes. For example, the expected accession of four EFTA countries to the European Union is likely to bring about substantial improvements for developing countries' exporters as their fragmented markets will merge into one single market without frontiers and with a single GSP scheme. On the other hand, present GSP schemes of some EFTA countries offer more benefits than the European Union scheme: it needs to be ensured that the revision of the latter will include adequate adjustments to minimize such risks of deterioration. Furthermore, the Europe Agreements and EFTA Free Trade Agreements with Central and Eastern European countries have taken the place of the former GSP treatment in their favour. While these new agreements will accentuate, in the short run, competition with developing countries' products on Western and Central European markets, they will also contribute to accelerate the transition process and improve the chances for success. This will in turn give developing countries in the medium run important new trading opportunities. While free trade agreements are under negotiations with Baltic States, negotiations of a Partnership Agreement with Russia are at an advanced stage: it remains to be clarified whether this agreement will also replace GSP treatment. 45/

52. Other forms of integration also raise issues of their own. This is for example the case of mixed groupings such as NAFTA (where a major developing country is participating) which have similar production and export patterns as other GSP beneficiaries. Business- and investment-led integration in Asia and the Pacific may have various implications for developing countries' suppliers which remain outside regional TNC networks of tight trade and investment linkages. 46/

53. The Trade and Development Board reviewed in September 1993 the evolution and consequences of emerging free trade on economic integration agreements. The Board reached important conclusions with regard to measures to counteract potential risks of trade and investment diversion of such groupings and agreed that integration groupings should bear a special responsibility with regard to their implications for weaker trading partners, particularly developing countries. 47/

The Uruguay Round and the GSP

54. The conclusion of the Uruguay Round of Multilateral Trade Negotiations will have implications for the effectiveness of the GSP and the scope for further improvements to fulfil the mandate of the Cartagena Commitment. The overall evaluation of the new agreements and specific commitments of the Uruguay Round will be subject to a comprehensive review by the Trade and Development Board. The Board will also assess the extent to which the very wide new commitments and disciplines undertaken by the developing countries in new areas with far-reaching implications for their development policies have found a balanced counterpart in concrete improvements in market access to major developed countries. 48/

55. The Uruguay Round will bring about a significant reduction of tariffs on industrial and agricultural products. 49/ Major reductions of close to 40 per cent of present MFN duties in major GSP donor countries concentrate on a number of sectors, where MFN duties will be reduced to zero for all or the majority of products. This will be particularly the case for large parts of the machinery and electro-technical industries, iron and steel aluminium and other metal industries, wood processing and paper industries, pharmaceuticals and certain other chemical industries, etc. The remaining duties, where applicable, will be low, in the 1 to 6 per cent range in most cases. In other sectors more or less important reductions of MFN duties will occur on a more selective basis for individual products. These MFN reductions will improve general market access conditions for all countries for the products concerned. Certain GSP beneficiaries will benefit, in case they are subject to graduation, ceilings or similar limitations. In those sectors and products, where GSP donor countries reduced their tariffs to zero, past product exclusions will no longer affect market access. All suppliers will benefit from full liberalization and long-term stability of free access.

56. However, the promotional character of the GSP will be reduced, as the preferential price advantages, which helped developing countries' exporters to compete vis-à-vis the most efficient world market suppliers, has been eroded. According to provisional results, GSP tariff margins would be reduced by about 9 per cent in the United States of America, by about 15 per cent in Japan and by about 23 per cent in the European Union. GSP product coverage will also diminish, as a result of new zero duties, by about 17 per cent and may be estimated to amount "post-Uruguay Round" to US$ 120 billion in the three major GSP donor groups. As dutiable trade will be reduced only by 12 per cent, covered trade will in future constitute only 32 per cent instead of the previous 39 per cent of total exports to these donors after the implementation of the Uruguay Round results. Therefore, the particular competitive advantage that product coverage gives to GSP beneficiaries will be significantly diminished by the Uruguay Round reductions.

57. Second, the Round has made an important opening in respect to the high protection afforded to the agricultural sector, textiles and clothing and in other areas, as these sectors are now for the first time subject in principle to multilateral trade liberalization, the removal of non-tariff measures, quotas, levies, etc. Tariffication of agricultural NTMs improves the possibility for applying the GSP and its techniques as well as to progress effectively towards implementation of the Cartagena Commitment.

58. However, these results will have substantial limitations with regard to certain aspects of particular importance to exports from developing countries. Market-access problems stemming from high tariffs are likely to survive the Round to a large extent in many industries of high export interest to developing countries.

59. Contrary to earlier Rounds, the Uruguay Round has done little to promote the harmonization of tariff levels; rather, provisional results tend to indicate that the highest tariffs have been subject to the smallest cuts, while many intermediate and low tariff rates have been subject to major reductions or even removal. Post-Uruguay Round tariffs will remain high for many industrial products of interest to developing countries. They will exceed frequently 10 per cent and remain sometimes substantially above 20 per cent ad valorem in one or more preference-giving countries for several products of: the food industry; woollen, synthetic and cotton fabrics; footwear and leather products; certain ceramic and glassware; automotive vehicles and bicycles; watches and clocks; and consumer electronics. In addition, tariffs remain high for many agricultural products and will further increase as a result of tariffication, reaching three-digit rates in certain instances.

60. As a result of important tariff reductions for intermediate products, as distinct from maintaining relatively high levels of tariff protection at the level of finished product, the level of effective protection has remained substantial or even increased for certain industries of high export importance to developing countries.

61. In conclusion, the preliminary evaluation regarding tariffs tends to indicate that the tariff reductions are generally smaller for developing countries than for developed countries; the incidence of MFN tariff cuts will be felt more by major export sectors of the latter; tariff cuts on labour-intensive products and other products of export interest to many developing countries are low. Furthermore, tariff escalation tends to increase in certain cases; effective protection has largely remained intact for many final industries in major GSP donor countries. Therefore, progress towards facilitating processing and vertical diversification of industries in developing countries is less than satisfactory.

62. With regard to non-tariff measures, the Uruguay Round agreements provide: 50/

(a) For a commitment in the agricultural sector for tariffication of all border measures other than ordinary customs duties, such as quantitative import restrictions, variable import levies, minimum import prices, discretionary import licensing, non-tariff measures maintained through State

trading enterprises, voluntary export restraints and any other schemes, regardless of former GATT derogations. Special safeguards will apply for such products, however;

(b) For the progressive integration of textiles and clothing articles into GATT over a period of 10 years in three stages: 7 years after the coming into force of the Agreement, half of the textiles and clothing products will have to be liberalized; at the end of the tenth year, all quantitative restrictions on imports of textiles and clothing will have to be removed;

(c) Further liberalization of non-tariff measures in the context of individual country schedules of concessions;

(d) Revised multilateral disciplines regarding import licensing procedures, safeguards, anti-dumping measures, subsidies and countervailing measures, sanitary and phytosanitary measures, rules of origin and others, which may also have important consequences in their application to developing countries' exports.

63. The impact of these new agreements on developing countries will be evaluated in the context of the overall evaluation of the effects of the Round by the Trade and Development Board. This will also provide an opportunity to assess their consequences for the GSP on the basis of the final negotiating results and the plans and schedules for their implementation at a product-specific level.

64. As far as the GSP is concerned, the various tariff changes will need to be incorporated by the various GSP donor countries into their respective national schemes. In that context, it would be desirable that the new GSP rates be applied as early as possible.

B. Measures for improving the effectiveness of the GSP

1. Expansion of product coverage of the GSP

65. As recognized by the Cartagena Commitment, a substantial expansion of product coverage would be one of the most efficient means to improve the effectiveness of the GSP. The Conference recommended that comprehensive product coverage ought to be considered in the course of the review of the individual GSP schemes with a view to including hitherto excluded products of current and potential export interest to developing countries.

66. The total exclusion of dutiable products from GSP benefits is a highly restrictive and crude method to take account of sensitivities of domestic industry in donor countries or relative competitiveness of beneficiaries. Some GSP donor countries use exclusions as a major tool; others supplement product exceptions by high preferential GSP duty rates, the application of import and tariff quotas or ceilings or restrictive-origin criteria.

67. The total import value of excluded products in the three major GSP donors: European Union, Japan and the United States amounted to about US$ 140 billion in 1992, which corresponds to about twice the amount of actually benefiting trade. Tariff cuts resulting from the Uruguay Round for

excluded products will be limited; according to provisional indications they range from -9 per cent in Japan to -17 per cent in the United States and -30 per cent in the European Union, which had, however, three times as high average MFN duty levels for such products. The combined effects of duty reductions and full duty removals for certain products contained in the exception lists are entraining the following changes in average duties pre- and post-Uruguay Round: in the United States from 7.2 to 6.5 per cent; in Japan from 8.7 to 7.9 per cent, and in the European Union from 24.3 to 19.4 per cent. These estimates demonstrate clearly that the Uruguay Round has brought little improvement for developing countries' products if they are not covered by GSP benefits. There is a clear need for additional action within GSP.

68. The exclusion of products from certain GSP schemes is the major reason why many developing countries do not participate effectively in the benefits of these schemes. Thus for example, more than 90 per cent of exports were excluded from GSP benefits of the schemes of the United States of America and Japan in the case of more than one third of the beneficiary developing countries and territories in 1992.

69. Product exclusions from GSP are most sensitive for developing countries, where they are combined with relatively high levels of MFN duties and other restrictions, and where this situation is likely to continue after the Uruguay Round. In the industrial sector, this is particularly the case in several donor country schemes for: textiles and clothing; footwear and leather products; and products of the food industry. Many of the products in these sectors are directly excluded from the GSP scheme of the United States and Japan; in the European Union they are subject to relatively high rates of duties, combined with GSP global and country ceilings/maximum duty-free amounts and import quotas. Import quotas under the MFA also affected heavily United States imports of clothing and textiles.

70. These three industrial sectors which remain particularly affected by exclusions or high levels of preferential tariff rates represent a very high share of developing countries' industries; they make up more than half of manufacturing value added in many developing countries. They are the major export sectors of the manufacturing industries of the bulk of the small and medium-sized developing countries.

71. The food industry has largely escaped major cuts in MFN rates which remain very high for many products after the Uruguay Round. Conversely, preferential liberalization has made progress in major integration groupings, so that the proportion of intra-trade has been rising. This seems to make it appropriate to include this sector in GSP coverage and reduce GSP duties to zero. This would put developing countries' food canning and processing industries on equal competitive terms with intra-groupings producers and avoid risks of further trade diversion. For those products of the food industry where high agricultural prices make up a major proportion of the cost, compensatory adjustments for that cost element could be maintained, as applied within certain integration groupings.

72. The full inclusion of the clothing, textiles, footwear and food industries into the GSP, including the reduction of preferential GSP duties

to zero, would be of particular benefit to a large number of medium and smaller-sized developing countries which have embarked on the processing of their domestic raw materials as a major strategy for further industrial and export diversification. The product/country limitations in most major schemes should provide sufficient safeguards to domestic producers' interests in cases where individual beneficiary countries could be dominant suppliers.

73. Agricultural and fishery products are a second major sector of outright product exclusion from the GSP. They affected in 1992 about US$ 9.3 billion of European Community imports from developing countries, US$ 3.4 billion in the United States, and US$ 8.7 billion in Japan. For temperate zone food and first processing stages, levels of the provisional post-Uruguay Round tariffs for excluded products tend to remain very high. The MFN rates will continue to reach very high peaks in one or more major preference-giving countries, reaching 40, 60, or even 80 per cent for meat, cereals and flour, sugar as well as certain fruit and vegetables. When the results of tariffication can also be incorporated, a detailed assessment should aim at identifying the scope for partial tariff concessions in favour of developing countries under the GSP on a product-by-product basis.

74. Other important sectors for developing countries, which are still maintained on exception lists, include certain tropical products and various non-food agricultural products, in particular horticultural products. These are of high export interest for many developing countries. Many duty rates remain at high levels even after the Uruguay Round, in particular in Japan and the European Union. A beginning has been made with the preferential exemption of non-food agricultural products, in particular horticultural products, from tariffs by the European Union and the United States in favour of certain developing countries partly under special GSP, partly under special preferential arrangements. In view of the wide-ranging interest of many developing countries in these products (including as replacement cultures for drug production), donor countries should examine the feasibility of extending duty-free GSP treatment for horticultural and other non-food agricultural products to all developing countries.

75. The remaining product exceptions from GSP differ widely among donor countries in terms of trade importance for developing countries and remaining post-Uruguay Round rates. Relatively high rates of 10 per cent and more will still apply to certain products such as cars and some types of trucks, glass and ceramic tableware, watches, brooms, etc. in some donor countries. Medium-range duties will remain in application, for example, for refinery products, certain petrochemicals and other basic chemicals and intermediate products. For a large majority of dutiable products, which are presently excepted from GSP, remaining MFN rates will be below 10 per cent, and frequently below 6 per cent. It should be possible to include these industrial products hitherto excepted into the GSP schemes without further delay.

76. The above proposals for a phased and differentiated removal of exceptions to GSP and the simultaneous reduction of remaining high duties on GSP-covered products would provide the most efficient means to improve the effectiveness of the GSP and to enlarge its impact on a large number of developing countries. It would in turn improve burden-sharing among GSP donors,

avoid concentration of exports on single GSP markets and reduce remaining sensitivities against a substantial extension of product coverage. Certain action should be taken on the occasion of the review of national schemes immediately, with respect to remaining industrial tariffs, including those in the food industry, as well as non-food agricultural products. A detailed evaluation of the final Uruguay Round results should identify the scope and pace for GSP action regarding agricultural food products, and for the agricultural price compensation component of the protection of certain products of the food industry.

2. Minimizing limitations and restrictions on preferential imports

77. The ex ante limitations were originally expected to respond to specific needs of safeguarding domestic producer interests or withdrawing preferential benefits from exporters which had become internationally competitive and the need for GSP was no longer satisfied. In the course of the application of such rules it has sometimes been difficult to distinguish between these objectives. The method of using ex ante limitations for achieving these aims has important disadvantages: they discourage long-term planning and investment; they hurt, in particular, exporting countries which are dependent on a few export products and need the preference margin to sustain these exports; and they introduce unpredictability even for consignments already shipped, since traders do not always know whether a particular tariff quota, ceiling or threshold will be met before their goods reach the importing country.

78. Some preference-giving countries have relied mainly on a safeguard clause similar to that of article XIX of GATT to take account of problems arising in particular industries. It is significant that the need to take effectively such safeguard action has arisen only in relatively few cases. This tends to confirm the superiority of this approach, as safeguards are by their very nature supposed to be temporary expedients to allow domestic producers to adjust to surges in imports resulting from GSP.

79. One of the objectives in the use of the ex ante limitations, ceilings and quotas has been to ensure an equitable distribution of benefits among beneficiaries. However, empirical evidence shows that limits to duty-free entry into the European Union on products exported by the more competitive developing countries have not resulted in increased exports by developing countries at a lower stage of industrialization. 51/ Likewise, the United States competitive need limitations are intended "to reserve the benefits of the programme for the less competitive producers". However, empirical evidence shows that the least developed countries and other relatively small beneficiaries do not benefit from competitive need exclusions. The benefits have accrued largely to non-GSP suppliers from the developed countries and some major GSP beneficiaries. 52/

80. The Commission of the Union has made some far-reaching proposals for eliminating all quantitative limitations while maintaining a sufficiently large margin of preference to make it worthwhile for traders to use the system, but at the same time allowing the sensitivity of the product and the competitiveness of the exporting country to be taken into account. 53/ The proposal is that non-sensitive products be admitted duty-free while

the reduction in the MFN duty on sensitive products would be variable. Where country-product pairs cannot be accommodated in either category, whether because the product is so sensitive or because it is not possible to reduce the duty and still give an acceptable margin of preference, that country-product pair would be excluded from the GSP, although other indicators, such as non-GSP trade performance and per capita income, would be taken into account.

81. These proposals give rise to a number of difficulties. Many post-Uruguay Round tariffs will be so low that anything less than tariff-free entry threatens to reduce significantly the usefulness of GSP. Administrative cost, in particular of applying the rules of origin, would not be compensated by the preference margin. The criteria for exclusion appear complex and ambiguous. 54/ The experiences of the European Union in respect of the lifting of ex ante limitations and ceilings in favour of certain beneficiaries should provide guidance for more flexible approaches to safeguards and competitive need with respect to industrially less advanced beneficiaries. Such mechanisms should also be fine-tuned to the reduced MFN duties resulting from the Uruguay Round.

3. Non-tariff measures

82. The conclusion of the Uruguay Round as well as recent developments in individual countries and groups of countries will substantially reduce the extent to which GSP covered imports are subject to quantitative restrictions. An evaluation of the final results and schedules for concessions will be needed to determine the exact extent to which problems may remain inter alia with respect to: (a) the extent to which non-tariff measures for agricultural products have actually been tariffified and various forms of such measures have been abandoned; (b) the product schedules and timing of the liberalization of textiles and clothing trade from quantitative restrictions; (c) eventual hard core quantitative restrictions which may remain applicable to certain GSP beneficiaries.

83. Some preference-giving counties have recently included in new regional agreements provisions to liberalize quantitative restrictions and other non-tariff measures more rapidly than under the Uruguay Round agreements. These countries and grouping should consider the possibility to put GSP beneficiaries on an equal footing with Europe Union and NAFTA partners and liberalize textiles and clothing trade more rapidly from quotas. This would avert further rising competitive disadvantages for developing countries vis-à-vis agreement partners.

84. Other non-tariff measures, such as anti-dumping action, countervailing duties and safeguards will continue to be applied under revised multilateral rules resulting from the Uruguay Round. Such measures have been increasingly used in the recent past. In about half the cases, it turned out later on that anti-dumping action was not justified, and no anti-dumping duty was finally imposed. In spite of a positive conclusion, many trade transactions have been seriously affected by the initiation of such procedures and provisional measures. Any future evaluation should therefore take into consideration the possible incidence of such measures on GSP-covered products under the new agreements.

4. Improvements for least developed countries

85. Exports from least developed countries to GSP donors of dutiable products are often small in trade value but constitute frequently an important share of LDC's exports to developed countries. The GSP remains of high importance for these countries as it opens the gate to further diversification and export expansion.

86. Most preference-giving countries apart from the United States now give LDC status to all LDCs on the United Nations list. The European Union gives special preferential treatment to most LDCs under the Lome Convention so that such countries are in effect only nominal beneficiaries of its GSP scheme.

87. As far as the product coverage is concerned, some preference-giving countries (Norway, Sweden, Bulgaria, Hungary, Russia) provided full coverage for all products (chapters 1 to 97 of the Harmonized System). Certain other preference-giving countries and groupings such as the European Union and Finland provide extended coverage for LDCs. Canada, Japan and the United States apply the same product coverage - and product exclusions - to LDCs as to other GSP beneficiaries.

88. In spite of considerable improvements made in many GSP schemes to extend product coverage to all products from GSP, reduce tariffs to zero for products covered, and to exempt such countries from ceilings, GSP tariff quotas, or other ex ante limitations to preferential benefits, the actual use made of GSP by least developed countries remains far below its potential. Only one third of dutiable exports from least developed countries to the OECD preference-giving countries actually benefitted from GSP preferences in 1992. The exclusion of dutiable products from the product coverage of the GSP remained the single most important reason: almost 40 per cent of LDC's dutiable exports are still excluded from GSP coverage. In effect, the general exceptions of products maintained mainly by Canada, United States, Japan and Finland continue to bear heavily on the least developed countries, as their export commodities are frequently concentrated on products considered as sensitive by preference-giving countries.

89. Another 30 per cent of dutiable exports from LDCs or products covered in principle by the respective GSP schemes remained unused, in particular, in the European Union, Japan and Austria (which account together for 93 per cent of the gap). This may be owing somewhat to problems encountered in meeting origin criteria or certification requirements, as well as the fact that several least developed countries have not communicated to donor countries the required specifications of certifying authorities. But several other factors contributing to this limited utilization reside in beneficiary least developed countries themselves: difficulties on the LDCs' side include insufficient human and institutional facilities, lack of familiarity with procedures, lack of dissemination of relevant information among potential exporters, etc. 55/

90. A priority area for improvement of the GSP is the extension of the GSP to all products by those countries which have not yet done so. 56/ The Uruguay Round is not likely to bring about by itself a major turnaround in that situation. Additional liberalization efforts are required with respect

to textiles and clothing, shoes, and a variety of agricultural and food industry products to achieve higher effectiveness of the GSP for least developed countries in these remaining schemes. Those preference-giving countries which do not yet extend duty-free access to all products should lower GSP rates to zero. Tariffication of non-tariff measures resulting from the Uruguay Round for agricultural products and products of the food industries provides substantial scope in the case of LDCs, without creating particularly high risks for domestic production. Furthermore, a number of improvements should be possible with respect to origin requirements: the report on GSP origin identifies major problems encountered by least developed countries (TD/B/SCP/8), as well as their needs and possible avenues for relaxing origin requirements and procedures especially in favour of LDCs, including rapid application of regional cumulation and the donor country contents concept. 57/

5. Institutional and systemic aspects of the GSP

(a) Duration of the GSP schemes

91. Individual GSP schemes should be put on a longer term basis to impart security and facilitate the investment necessary for expanding exports to new markets or products. During a period of five years changes to the schemes should be kept to a minimum.

(b) GSP schemes of Central and Eastern European countries in transition

92. Several Central and Eastern European countries are applying GSP schemes; some of them are at the same time preference-receiving and preference-giving countries. In view of the difficulties encountered with the transition processes, some of these schemes are more limited, offering only partial tariff reductions, or applying only to certain types of developing countries, for example those at lower levels of per capita GDP. These schemes are none the less useful steps forward, and further countries in transition should be encouraged to implement GSP preferences in accordance with their possibilities and economic condition. Such schemes could be gradually improved later on, when the transition process will have brought effective results.

93. When economies in transition reduce their own duties in a preferential manner within their Europe agreements and free trade agreements in favour of European Union and EFTA States, they should also consider the extent to which they could reduce GSP duties. This would help to maintain a certain relationship in access conditions to their market for developing countries.

(c) Graduation issues

94. The Chairman's summary of the discussions on this issue at the twentieth session of the Special Committee sets out the developing countries' views on the need to arrive at a consensus on multilaterally agreed criteria for the application of any product or country/product graduation measures. In principle, these criteria should be based strictly on trade and economic considerations, to the exclusion of non-trade issues. Sustained and absolute competitiveness must be demonstrated before a preference is withdrawn from a product. Graduation measures decided upon on the basis of multilaterally

agreed criteria should be applied only after sufficient time had been given to beneficiaries to allow them to adapt their supply to the new access conditions. 58/

95. As shown in Part I of this study, graduation and differentiation measures have continued to expand without multilateral agreement on criteria. Further work on criteria needs to place particular product/country situations in a more general context of export development of a particular country. Criteria should take account of the degree of diversification of export products and the position of a country as a supplier to world markets as a whole: even if a product from a particular developing country may have a high share in imports of a particular GSP donor country, this country may still remain a small supplier in terms of world markets, while the product may be one of the few exportable products of the beneficiary country. 59/

(d) Rules of origin

96. As a result of the reduction of many tariff rates to low levels, there is now a need for a comprehensive review of the GSP rules of origin. Low levels of duties no longer justify criteria as stringent as before, since risks of trade diversion, as well as the possible use of origin to safeguard domestic producer interest have been substantially reduced. There is moreover a strong need to simplify administrative procedures, in order to reduce their cost, and avoid that lower preferential advantages are absorbed by the cost of customs procedures.

97. The separate report on GSP origin which will be before the Special Committee at the twenty-first session 60/ sets out a number of proposals to progress towards effective implementation of harmonization of the criteria, the application of regional cumulation and donor-country contents and special measures in favour of least developed countries. To that effect, the Special Committee may wish to consider to set up a special programme for the revision of GSP rules of origin as part of the GSP policy review.

(e) Consultations and information procedures

98. Even though the individual GSP schemes are autonomous, mechanisms for information, consultations and consensus-building between preference-giving and preference-receiving countries could be improved; this would help to increase the effectiveness of the application of the schemes, their transparency, and their apparent fairness. (i) It would be valuable, if the preference-giving countries were to circulate their proposals for major changes in their schemes some time in advance of their final adoption, through the UNCTAD secretariat, to beneficiaries and donor countries for inviting their views and comments. (ii) Adequate information should be provided to exporters in all cases where preferential access has been denied for a shipment, with regard to the rationale and conditions required. Opportunities for consultations should be provided in such cases. (iii) Preference-giving countries should communicate their GSP schemes and major changes in their trade laws, such as new tariff schedules, to the UNCTAD secretariat to facilitate dissemination of information and technical assistance operation. They should also send their statistics regarding actual use of GSP preferences

to the secretariat as early as possible, preferably in a computerized format, so as to facilitate the evaluation of the effectiveness of the schemes for preference-receiving countries.

(f) New concepts and fresh approaches

A green GSP?

99. It has been proposed that it should be possible to encourage sustainable development in developing countries by granting extra-preferences for export products produced in a relatively clean way, in the framework of a "green GSP". 61/ Two approaches have been envisaged for that purpose: either granting extra preferences on top of the existing ones for products produced by environmentally sound production processes (clean products); or granting additional GSP benefits to developing countries with advanced environmental standards.

100. These proposals are potentially interesting if they can effectively provide additionality of GSP advantages and if the criteria are developed in consultation with the developing countries: for example, if they help to overcome entrenched resistance against the inclusion of temperate-zone agricultural products and the reduction of their GSP duties to zero, or if they allow the full liberalization of clothing and textiles to accelerate from quantitative restrictions. To that effect, it would be useful to clarify the actual additional scope for "green liberalization" under GSP for such products and barriers, acknowledging also fully that certain preference-giving countries have found it possible to include all products in the GSP without further strings attached, while others have progressed with MFN duty reductions or quota liberalization for such products. It would also be interesting to explore further criteria for identifying "green products" as well as possible consensus-building formulas between preference-giving and preference-receiving countries, to ensure that such benefits are additional and do not involve new conditionalities.

A parallel GSP for services?

101. In the same vein of identifying new and fresh approaches to take account of changing economic realities for the future of the GSP, the possibility of extending the GSP to services could also be considered. This would only acknowledge the growing importance of the service sectors for international trade and for the development of developing countries, and the creation of the new multilateral framework for trade in services i.e. GATS. A recent study prepared for UNCTAD 62/ contains a number of useful suggestions on how services exports and factor income receipts of developing countries could be strengthened by preferences in developed countries analogous to GSP. This would include such elements as: tax relief on repatriation of foreign workers earnings; tax relief on inputs into developing country subsidiaries and branches in the developed market economies; the opening of domestic services markets in developed market economies to access by developing countries beyond the GATT (such as air transport and shipping); and special preferential provisions regarding government procurement by the developed market economies in favour of developing countries, including for such services as construction

(for example, by allowing participation in bids at lower contract values which are more easily accessible for developing countries' enterprises).

C. Technical assistance in the field of GSP and other trade laws

102. The technical assistance report in connection with the Generalized System of Preferences (TD/B/SCP/7) outlines the activities during 1993. The seminars and workshops have been increasingly tailored to the export capabilities of the developing countries. Some beneficiaries which have mature experience in GSP utilization are more inclined to request technical workshops on specific problems encountered, such as rules of origin or mechanisms for quota allocations. Newcomers and LDC beneficiaries are more concerned with acquiring up-to-date GSP information and a better understanding of the applicable rules.

103. The activities of the technical cooperation programme on GSP and other trade laws have assisted many developing countries to establish GSP focal points, improve support services to exporters and provide information and training to enterprise staff and government officials. The programme has thus made a significant contribution to the increasing use being made by beneficiaries of the opportunities offered by GSP.

104. The outcome of the Uruguay Round coupled with the expected renewal in 1994 of three major schemes namely European Union, United States of America and Canada will result in increased demands for activities under the technical cooperation programme regarding these major changes. These changes will also call for updating the various handbooks and material which the Programme utilizes in carrying out its activities. The substantial changes in individual GSP schemes to be expected will also imply major adaptation and require further improvement of the GSP database and its software for dissemination and installation in the various GSP focal points.

105. A major priority for future action will be the continued focus on how least developed countries and other industrially less advanced developing countries facing difficulties can draw full benefits from the individual GSP schemes. Furthermore, the project intends to strengthen national institutions, providing training courses on GSP along with training material, analytical studies and data.

106. The extent to which it will be possible to satisfy the demand for GSP technical cooperation activities will, of course, depend on the availability of resources. As noted in TD/B/SCP/7, there was a 23 per cent decline in funding for those activities in 1993, to under $0.9 million; a substantial backlog of requests from developing countries had accumulated by the end of 1993.

Notes

1/ Chapter I summarizes the modifications in the GSP schemes since the twentieth session of the Special Committee on Preferences, held in May 1993. Details of such changes and improvements are based on official notifications to the UNCTAD secretariat by preference-giving countries and are presented according to the common elements of the GSP to which they pertain.

2/ See Official Journal of the European Communities, L 338, volume 36, of 31 December 1993: Council Regulation No. 3667/93. (The European Parliament adopted, on 14 February 1984, the Treaty establishing the European Union, expected to enter into force by 1992, as part of the process of integration within the European Community.)

3/ The former Czech and Slovak Federal Republic was considered as a beneficiary under New Zealand's scheme as from 1 November 1992.

4/ As of the beginning of 1994 the following countries are excluded from GSP benefits in the United States: (i) under the workers' rights provisions: Romania, Nicaragua, Paraguay, Chile, Myanmar, Central African Republic, Sudan, Syria, Mauritania and Liberia; (ii) under the intellectual property rights provision: Thailand (partially excluded); (iii) for failure to compensate for nationalizations: Laos, Afghanistan and Ethiopia; (iv) for their high levels of economic development and competitiveness: Hong Kong, Republic of Korea, Singapore, Taiwan Province of China; (v) under the GDP per capita ceilings: Bermuda, Brunei Darussalam, Nauru and Israel.

5/ For future exclusion of selected products under the Australian scheme, explanations are given under the heading "Safeguard".

6/ H.S. subheading No. 090420 A1b2.

7/ Solid or cushion tyres (H.S. ex 40.12); Certain rucksacks with a capacity of 50 litres or more (H.S. ex 42.02); Certain textile articles made directly of textile yarn, twine, cordage, rope or cables (H.S. ex 42.02); Fabrics specified in note 9 to section XI of the Harmonized System (i.e. H.S. 540730 other woven fabrics containing 85 per cent or more by weight of filaments of nylon or other polyamides); Baby's napkins made of cotton (H.S. ex 6209).

8/ See TD/B/GSP/POLAND/6.

9/ Item 29026000 Ethylbenzene; item 72025000 Ferrosilicon chromium.

10/ Item 29214224 Salfanic acid.

11/ See TD/B/GSP/AUSTRALIA/17 of 1 September 1993.

12/ The product groups deleted are the following: product group (2) silicon (heading 280461-2); (12) camphor ... (ex 291421); (20) dyes (Chapter 32); (22) Ho oil (ex 330129.02); (23) soap ... (Chapter 34); (25) gelatin (ex 350300); (29) explosives (Chapter 36 ex); (33) rubber (Chapter 40); (43) and (46) furskins (Chapter 43 ex); (61) manufactures of straw (Chapter 46 ex); (69) batik woven fabrics (ex 520851 etc.); (102) hair nets (650510); (109) pearls (Chapter 71 ex); (130) and (131) unwrought aluminium (760110; 20); (134) lead (Chapter 78 ex); (136) tin (Chapter 80); (143) games and sports requisites (Chapter 95 ex); (144) worked carving material (ex 711790 etc.).

13/ Products which were subject to ceilings under product group No. 31-2 articles of plastics have been deleted with the exception of heading 392690.

14/ Product group No. 73 woven fabrics of jute (5310); No. 105 glass beads, etc. (701810; 20; 90 ex); No. 108 imitation jewellery, etc. (711719, etc.).

15/ Product group No. 123 unrefined copper (740200, 740319 ex).

16/ Product group No. 55 transom (441890.02 ex).

17/ Product group No. 66 yarn of combed wool (heading 51.07).

18/ Brazil: 3 products falling within headings 081190.09; 350300.09; 64039911; China: 11 products: 430390.09; 600121.29; 630231.01 and 09; 630493.00; 630121.00; 640299.11; 640520.11; 711620.29; 820110.09; 940520.19; India: 1 product: 630391.01; Republic of Korea: 2 products: 721722.00; 960330.00; Malaysia: 3 products: 152090.00; 392620.11; 950710.00; Pakistan: 2 products: 630222.01 and 09; Philippines: 2 products: 440890.21; 441211.00; Taiwan Province of China: 9 products: 560900.00; 611692.00; 630399.01; 730640.19; 820130.01; 854449.09; 940130.00; 950631.00; 960329.19; Thailand: 1 product: 392321.01.

19/ Republic of Korea - 5 products falling within heading 420291.09, 511220.08, 730610.00, 820110.09, 950349.00; Taiwan Province of China - 17 products falling within headings 392321.15 and 28, 392390.18, 420211.00, 441212.00, 611610.00, 621600.00, 630539.09, 640411.12, 731811.00, 732111.02, 732394.00, 732620.19, 760421.00, 821520.00, 940520.11, 950420.09; Thailand - 2 products 420500.09 and 691490.09; Turkey - 1 product 570210.00.

20/ Countries and/or territories graduated under the GSP scheme of New Zealand are as follows: American Samoa, Bermuda, Brunei Darussalam, French Polynesia, Greece, Guam, Hong Kong, Israel, Kuwait, Nauru, Netherlands Antilles, New Caledonia, Portugal, Qatar, Singapore, Spain, United Arab Emirates, Virgin Islands and Taiwan Province of China.

21/ Item 852110.00 Video record magnetic tape, and item 852711.60 Portable radio cassette players.

22/ Item 410431.20 Buffalo leather, item 761490.20 Aluminium electric conductors, item 840734.20.80 Passenger car engines, item 852721.10 Radio tape player combination.

23/ Item 290919.10 Ethers of monohydric alcohols.

24/ Item 400819.10 Rods and profile shapes of vulcanized rubber redesignated vis-à-vis Malaysia.

25/ Argentina (17 products), Brazil (40 products), Chile (8 products), India (5 products), Indonesia (3 products), Israel (3 products), Malaysia (1 product), Mexico (23 products), Peru (1 product) and Thailand (16 products).

26/ The applicable de minimis limit was US$ 11,819,462 of imports in 1992.

27/ These totals exclude trade granted the competitive need waiver.

28/ The affected beneficiaries (ranked according to frequency of exclusion) were: Mexico (83 items), Brazil (16 items), Malaysia (10 items), Indonesia and Thailand (7 items each), Israel (6 items), India (5 items), Croatia, Slovenia and Venezuela (4 items each), Guatemala, Dominican Republic (3 items each), Argentina, Morocco, Philippines and Turkey (2 items each), Bahamas, Chile and Colombia (1 item each).

29/ See Federal Register, volume 58, No. 123, of 29 June 1993, pp. 34,861 and 34,862.

30/ Under the old rules of origin of Japan's scheme, articles of apparel and clothing accessories, not knitted nor crocheted, falling under H.S. Chapter 62 have been considered as originating from a GSP beneficiary and thus as eligible for GSP, only in the case that, if imported materials are used, they are manufactured from textile yarn within the beneficiary. In other words eligible for GSP are only the articles whose two stages of manufacturing process, namely from imported textile yarn to fabrics and from fabrics to apparel, are both made within the beneficiary (double jump requirement).

31/ The exceptions concern the following products: handkerchiefs of H.S. 6213 and shawls of 6214 have to be manufactured from material of fibre (chemical products, etc...), ties of H.S. 6215, gloves, etc... of 6216 and other made up clothing, accessories, etc., of H.S. 6217 have to be manufactured from textile yarn within a beneficiary.

32/ See TD/B/GSP/JAPAN/19 of 5 November 1993.

33/ See Official Journal of the European Communities, L 338, volume 36, of 31 December 1993: Council Regulation No 3668/93, ECSC Decision 93/727.

34/ In order to calculate limited amounts fixed for preferential imports for the period 1 January to 30 January 1994 and eventually from 1 July to 31 December 1994, see Official Journal of the European Communities C169, volume 36, of 19 June 1993. For the interim extension of the EEC scheme, see note 29 above.

35/ See TD/B/SCP/3.

36/ Fiscal year 1991 for Australia and New Zealand.

37/ Bulgaria, Czech Republic, Hungary, Poland, Russian Federation and Slovakia.

38/ This figure does not take into account preferential imports from the Czech Republic, Hungary, Poland and Slovakia even though they were beneficiaries until the end of March 1992.

39/ This figure is adjusted by the exclusion of imports from the four Asian countries because they have been excluded since 1988 under the United States GSP scheme.

40/ As the list of LDC beneficiaries under each GSP scheme was continuously subject to changes, figures as shown in tables 3 and 4 for corresponding years are not, in absolute terms, comparative. However, the tables give an order of magnitude of the preferential imports from LDC beneficiaries into the OECD preference-giving countries.

41/ The criteria retained is to sum-up the share of the major suppliers of their covered products up, at least, to 80 per cent of total-imports-covered products by OECD preference-giving countries.

42/ A New Partnership for Development: The Cartagena Commitment, Report of the United Nations Conference on Trade and Development on its Eighth Session, Chapter on International Trade, paragraphs 130 and 140, TD/364, UNCTAD, July 1992.

43/ Report of the Special Committee on Preferences on its twentieth session, annexes I and II, TD/B/40(1)/10.

44/ The implications of the policy changes in developing countries and the intensification of globalization for GSP rules of origin are dealt with in "Consultation on harmonization and improvement in the rules of origin, Review of past discussions: recent developments; possible ways forward", TD/B/SCP/8, UNCTAD, February 1994.

45/ A similar question is how long will GSP treatment effectively be accorded to countries of the former Soviet Union by the United States and other preference-giving countries.

46/ See "Evolution and Consequences of Economic Spaces and Regional Integration Processes", TD/B/40 (1)/7, UNCTAD, July 1993.

47/ See Report of the Trade and Development Board on the first part of its fortieth session.

48/ Furthermore, the ad hoc Working Group on the Expansion of Trading Opportunities will devote its fourth session in June 1994 to identification of new trading opportunities which are likely to arise for developing countries from the implementation of the Uruguay Round agreements and concessions.

49/ The figures shown in this section are based on information collected by the UNCTAD secretariat and reflect provisional results as of December 1993, excluding tariffication of non-tariff measures for agricultural products.

50/ Final Act embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, TN/FA, GATT, December 1993.

51/ See "The EEC scheme of generalized preferences: the trade effects of quotas and ceilings", study by Matthew McQueen (UNCTAD/ST/MD/32), 16 May 1988.

52/ See "Effects of competitive need exclusions and redesignation under the United States scheme of generalized preferences", study by Craig R. MacPhee (UNCTAD/ST/MD/29), 13 February 1986 and United States International Trade Commission, An Evaluation of United States Imports under the Generalized System of Preferences (USITC Publication 1379, Washington, D.C., May 1983).

53/ "Generalized System of Preferences: Guidelines for the 1990s", Communication from the Commission to the Council, COM (90) 329 final, EEC, July 1990.

54/ "Study on Possible Improvements of the Generalized System of Preferences" by M. Davenport, UNCTAD consultant, UNCTAD/ITD/8, February 1994.

55/ See also "The role of GSP in improving LDC's access to markets: some recent developments" TD/B/39(2)/CRP.7, UNCTAD, March 1993.

56/ See also: "Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s", UNCTAD, RDP/LDC/58, United Nations, New York, 1992.

57/ For further details, see TDB/B/SCP/8, February 1994, op. cit.

58/ See Report of the Special Committee on Preferences on its twentieth session, Annex II, Chairman's Summary, para.6., op. cit.

59/ For a more detailed discussion of possible criteria, see M. Davenport, op. cit.

60/ For further details see TDB/B/SCP/8, February 1994, op. cit.

61/ "Schone Produktie in Ontwikkelingslanden middels een Gren APS?" Dr. F. Hoefnagesl, Drs. V.P.A. de Lange et alia, CREM, Consultancy and Research for Environmental Management, Amsterdam, 1994.

62/ "Study on Possible Improvements of the Generalized System of Preferences" by M. Davenport, chapter V.K. op. cit.

Annex I

Table 1

Imports of preference-giving countries from beneficiaries of their schemes 1976-1992
(millions of US dollars)

Preference-giving country and year	Total imports	MFN dutiable imports	GSP imports		Percentage share		
			Covered	Preferential	(4)/(3)	(5)/(4)	(5)/(3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
AUSTRALIA							
FY 1976	2 249.9	885.4	412.8	412.8	46.6	100.0	46.6
FY 1981	6 211.1	2 929.9	1 979.8	1 979.8	67.6	100.0	67.6
FY 1990	9 453.5	4 488.1	4 271.4	4 271.4	95.2	100.0	95.2
FY 1991	10 597.0	5 102.6	4 944.5	4 944.5	96.9	100.0	96.9
AUSTRIA							
1976	1 327.5	1 123.1	998.3	126.1	88.9	12.6	11.2
1981	2 745.0	2 371.1	2 025.6	251.0	85.4	12.4	10.6
1991	6 063.0	4 797.0	4 378.0	1 633.0	91.3	37.3	34.0
1992	6 419.8	4 990.4	4 605.3	1 796.1	92.3	39.0	36.0
CANADA							
1976	4 256.8	1 058.1	561.3	411.4	53.0	73.0	38.9
1981	6 877.9	2 163.3	1 176.0	857.9	54.4	73.0	39.7
1991	12 443.3	6 585.2	4 001.8	2 675.5	60.8	66.9	40.6
1992	12 898.1	6 746.9	3 945.2	2 680.9	58.5	68.0	39.7
EUROPEAN UNION							
1976	79 939.7	17 950.0	10 903.0	3 915.9	60.7	35.9	21.8
1981	111 282.3	30 786.8	23 971.1	9 002.0	77.9	37.6	29.2
1991	156 895.0	104 850.0	64 204.0*	30 208.0*	61.2	47.1	28.8
1991 a/	140 986.0	90 142.4	55 038.5*	26 063.2*	61.1	47.4	28.9
1992 a/ b/	149 164.4	108 631.4	74 453.9	35 727.0	68.5	48.0	32.9

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			FINLAND				
1976	749.7	145.9	29.4	20.9	20.2	71.1	14.3
1982	983.3	325.0	132.5	108.4	40.8	81.8	33.4
1991	1 804.6	1 502.1	472.5	276.6	31.5	58.5	18.4
1992	1 817.0	1 555.0	514.0	256.0	33.0	49.9	16.5
			JAPAN				
FY 1976	13 457.9	6 369.3	3 369.3	1 789.5	52.9	53.1	28.1
FY 1982	27 528.2	13 331.2	8 575.3	5 263.3	64.3	61.4	39.5
FY 1991	110 970.0	71 735.0	25 415.0	12 078.0	35.4	47.5	16.8
FY 1992	115 667.0	76 780.0	26 674.0	12 305.0	34.7	46.1	16.0
			NEW ZEALAND				
FY 1976	571.8	150.0	140.0	140.0	93.3	100.0	93.3
FY 1981	1 264.3	275.0	246.9	246.9	89.9	100.0	89.8
FY 1990	1 124.4	459.0	453.3	406.2	98.8	89.6	88.5
FY 1991	1 098.1	452.1	451.1	389.6	99.8	86.4	86.2
			NORWAY				
1976	1 171.8	95.0	44.3	22.4	46.6	50.5	23.6
1981	1 185.9	296.2	128.3	66.9	43.3	52.1	22.6
1991	3 103.0	1 181.0	723.0	463.0	61.2	64.0	39.2
1992	2 068.0	1 117.0	692.0	477.0	61.9	69.0	42.7
			SWEDEN				
1976	2 732.8	941.5	189.1	144.8	20.1	76.6	15.4
1981	3 881.3	821.5	395.5	272.5	48.1	68.9	33.2
1991	4 776.0	2 715.0	1 532.0	1 017.0	56.4	66.4	37.5
1992	3 648.0	2 122.0	1 172.0	739.0	55.2	63.1	34.8
			SWITZERLAND				
1976	1 541.0	1 418.6	635.2	257.1	44.8	40.5	18.1
1982	2 851.6	2 751.6	1 180.4	449.5	42.9	38.1	16.3
1991	5 541.5	5 338.5	3 799.8	1 524.1	71.2	40.1	28.5
1992	4 710.8	4 515.2	3 204.3	1 380.2	71.0	43.1	30.6

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
UNITED STATES OF AMERICA							
1976	28 497.6	21 879.8	6 530.0	3 160.3	29.8	48.4	14.4
1981	60 751.5	53 823.3	16 870.4	8 395.5	31.3	49.8	15.6
1991	95 969.8	74 039.4	26 907.1	13 675.0	36.3	50.8	18.5
1992	117 884.1 d/	90 890.0 c/	35 723.0	16 746.0	39.3	46.9	18.4
OECD TOTALS							
1976	136 496.5	520 161.7	23 812.7	10 401.2	45.8	43.7	20.0
1981 e/	225 562.4	109 874.9	56 681.8	26 893.7	51.6	47.4	24.5
1991 f/	392 235.1	262 982.8	126 992.4	64 083.0	48.3	50.5	24.4
1992 g/	425 972.3	302 902.6	156 379.3	77 441.3	51.6	49.5	25.6
HUNGARY							
1976	379.2	209.6	196.9	196.9	93.9	100.0	93.9
1981	735.1	735.1	726.7	726.7	98.9	100.0	98.9
1991	636.1	636.1	613.6	613.6	96.4	100.0	96.4
1992	333.5	333.5	311.9	311.9	93.5	100.0	93.5

Source: Notifications and UNCTAD calculations.

* Excluding the Republic of Korea.

a/ Excluding Czech Republic, Hungary, Poland and Slovakia.

b/ Provisional figures.

c/ Estimates.

d/ United Nations sources.

e/ 1982 for Finland, Japan and Switzerland.

f/ Excluding Czech Republic, Hungary, Poland and Slovakia under EEC scheme.

g/ FY 1991 for Australia and New Zealand.

Table 2

Preferential imports into selected preference-giving countries from their beneficiaries

Annual average increase for the period 1976-1992 and 1991-1992
(percentage)

Preference-giving countries	World		All beneficiaries			
			Total		Preferential	
	1976/1992	1991/1992	1976/1992	1991/1992	1976/1992	1991/1992
Australia	8.4	7.0	10.9 a/	12.1 b/	16.8 a/	15.8 b/
Austria	10.4	6.7	9.1	5.9	18.1	10.0
Canada	7.6	4.7	7.2	3.7	12.5	0.2
European Union	9.2	5.0	4.0	5.8	14.8	37.1
Finland	6.7	-2.2	3.9	0.7	17.0	-14.7
Japan	8.3	-1.3	14.4	4.2	12.8	1.9
New Zealand	6.8	8.1	4.5 a/	-2.3 b/	7.1 a/	-3.9 b/
Norway	5.4	-4.6	3.6	-33.4	21.2	3.0
Sweden	6.1	-0.1	1.8	-23.6	10.7	-27.3
Switzerland	9.8	-0.9	7.2	-15.0	11.1	-9.4
United States	9.3	9.1	10.9	22.8	11.0	22.5
Total OECD	8.9	4.8	7.9	8.6	13.4	20.8
Hungary	4.7	3.7	-1.0	-47.6	2.9	-49.2

a/ 1976-1991.

b/ 1990-1991.

Table 3

Imports of preference-giving countries from least developed countries beneficiaries of their schemes, 1976-1992 a/
(million of US dollars)

Preference-giving country and year	Total imports	MFN dutiable imports	GSP imports		Percentage share		
			covered	preferential	(4)/(3)	(5)/(4)	(5)/(3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
AUSTRALIA							
FY 1976	42.9	5.6	5.1	5.1	91.0	100.0	91.0
FY 1981	36.8	18.2	17.9	17.7	98.4	98.9	97.3
FY 1990	79.0	8.5	8.5	8.5	100.0	100.0	100.0
FY 1991	75.3	10.5	10.3	10.3	98.0	100.0	98.0
AUSTRIA							
FY 1976	15.0	7.0	6.7	0.8	95.7	11.9	11.4
FY 1981	15.2	5.6	5.1	0.9	91.1	17.6	16.1
FY 1991	130.0	121.0	120.0	4.7	99.2	3.9	3.9
FY 1992	124.6	115.2	110.7	5.6	96.1	5.1	4.9
CANADA							
FY 1976	32.0	1.5	1.0	0.2	66.7	20.0	13.3
FY 1981	37.3	2.6	2.3	0.8	88.5	34.8	30.8
FY 1991	216.7 b/	50.1 c/	11.4 c/	7.9 c/	22.8	69.3	15.8
FY 1992	176.2 b/	40.7 c/	9.3 c/	6.4 c/	22.9	68.8	15.7
EUROPEAN UNION d/							
FY 1978	322.1	231.8 c/	98.3	47.1	42.4	47.9	20.3
FY 1981	395.1	266.3	239.4	150.6	89.7	62.9	56.4
FY 1991	1 146.0	1 069.0	1 014.0	539.0	94.9	53.2	50.4
FY 1992 e/	1 848.7	1 188.3	1 166.5	603.2	98.2	51.7	50.8

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
FINLAND							
FY 1976	11.5	1.3	1.1	0.7	84.6	63.6	53.8
FY 1981	16.7	11.3 c/	11.3	1.0	100.0	88.5	8.9
FY 1991	17.8	17.8	10.8	9.6	60.7	88.9	53.9
FY 1992	21.0	21.0	11.0	1.0	52.4	9.1	0.5
JAPAN							
FY 1976	212.0	31.6	7.2	3.3	22.8	45.8	10.4
FY 1982	222.2	47.2	8.6	4.9	18.2	57.0	10.4
FY 1991	1 124.0	726.0	459.0	239.0	63.2	32.9	52.1
FY 1992	972.0	502.0	369.0	229.0	73.5	62.1	45.6
NEW ZEALAND							
FY 1976	12.5	2.2	1.9	1.9	86.4	100.0	86.4
FY 1981	11.4	5.4	5.3	5.3	98.4	100.0	98.4
FY 1990	104.2	43.2	43.1	42.8	99.8	99.3	99.1
FY 1991	67.1	39.5	39.5	38.9	100.0	98.5	98.5
NORWAY							
FY 1976	7.4	0.5	0.5	0.1	100.0	20.0	20.0
FY 1981	4.9	0.8	0.8	0.3	100.0	37.5	37.5
FY 1991	566.0	91.0	91.0	11.0	100.0	12.1	12.1
FY 1992	204.0	16.0	16.0	10.0	100.0	60.5	60.5
SWEDEN							
FY 1976	29.1	23.4	0.3	0.1	1.3	33.3	0.4
FY 1981	13.2	2.7	0.5	0.3	18.5	60.0	11.1
FY 1991	38.0	19.0	19.0	5.0	100.0	26.3	26.3
FY 1992	36.0	19.0	19.0	5.0	100.0	26.3	26.3

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
SWITZERLAND							
FY 1976	44.2	40.5	16.7	4.9	41.2	29.3	12.1
FY 1982	51.8	47.9	23.8	10.0	49.7	42.0	20.9
FY 1991	66.7	51.4	46.3	28.5	90.1	61.6	55.4
FY 1992	75.3	60.4	57.9	34.1	96.0	58.8	56.5
UNITED STATES OF AMERICA							
FY 1976	557.3	176.8	116.8	75.9	66.1	65.0	42.9
FY 1982	844.4	287.7	153.5	47.9	53.4	31.2	16.6
FY 1991	1 389.0	1 035.8	82.9	49.3	8.0	59.5	4.8
FY 1992	1 565.4 d/	1 030.0 c/	66.6	35.5	6.5	53.3	3.4
OECD Totals							
FY 1976 f/	1 286.0	522.2	255.6	140.1	48.9	54.8	26.8
FY 1981 g/	1 649.0	695.7	468.5	239.7	67.3	51.2	34.5
FY 1991 h/	4 877.4	3 232.8	1 906.0	945.3	59.0	49.6	29.2
FY 1992 i/	5 165.6	3 042.6	1 875.8	979.0	61.7	52.2	32.2
HUNGARY							
FY 1976	12.4	4.2	4.1	4.1	97.6	100.0	97.6
FY 1981	7.6	7.6	7.6	7.6	100.0	100.0	100.0
FY 1991	6.0	6.0	6.0	6.0	100.0	100.0	100.0
FY 1992	12.2	12.2	12.2	12.2	100.0	100.0	100.0

a/ As the list of LDCs beneficiaries under each GSP scheme was subject to changes from time to time, figures as shown in this table for corresponding years are not in absolute terms comparative. The table however gives an order of magnitude of the preferential imports from the LDCs beneficiaries into the OECD preference-giving countries.

b/ United Nations sources.

c/ Estimates.

d/ Effective LDCs beneficiaries only are taken into account.

e/ Provisional figures.

f/ 1978 for EEC and New Zealand.

g/ 1982 for Japan, Switzerland and USA.

h/ 1990 for Australia and New Zealand.

i/ 1991 for Australia and New Zealand.

Table 4

Preferential imports into selected preference-giving countries from their least developed country beneficiaries

Annual average increase for the periods 1976-1992 and 1991-1992
(percentage)

Preference-giving countries	World		All least developed beneficiaries			
			Total		Preferential	
	1976/1992	1991/1992	1976/1992	1991/1992	1976/1992	1991/1992
Australia	8.4	7.0	3.6 a/	-4.7 b/	4.5 a/	21.2 b/
Austria	10.4	6.7	14.2	-4.2	12.9	19.1
Canada c/	7.6	4.7	11.3	-18.7	24.1	-19.0
European Union	9.2	5.0	11.5 d/	61.3	17.3 d/	11.9
Finland	6.7	-2.2	3.8	18.0	2.2	-89.6
Japan	8.3	-1.3	10.0	-13.5	30.3	-4.2
New Zealand	6.8	8.1	13.8 a/	-35.6 b/	26.0 a/	-9.1 b/
Norway	5.4	-4.6	23.1	-64.0	33.5	-9.1
Sweden	6.1	-0.1	1.3	-5.3	27.9	-
Switzerland	9.8	-0.9	3.4	12.9	12.9	19.6
United States	9.3	9.1	6.6	12.7	-4.7	-28.0
Total OECD	8.9	4.8	9.2	8.5	13.0	4.3
Hungary	4.7	3.7	-0.1	103.3	7.0	103.3

a/ 1976-1991.

b/ 1990-1991.

c/ Figures for 1991 and 1992 estimated.

d/ 1978-1992.

Table 5

Imports of major preference-giving countries from their major beneficiaries in 1992 (millions US dollars)

Preference-giving country	Major supplier	Total imports	MFN dutiable imports	GSP imports		Percentage share		
				covered	Preferential	(5)/(4)	(6)/(5)	(6)/(4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
OECD GSP schemes		425 972	302 903	156 379	79 441	47.8	49.5	23.7
Three major GSP schemes: EU, USA and JAPAN		382 715	276 301	136 851	64 778	45.5	47.3	21.5
	% Share Three major schemes/ OECD Total	89.8	91.2	87.5	83.6	---	---	---
EU a/	China	21 574	20 032	17 363	8 562	86.7	49.3	42.7
	Rep. of Korea	9 483	9 291	8 022	2 028	86.3	25.3	21.8
	Singapore	7 214	6 881	6 342	2 210	92.2	34.8	32.1
	Malaysia	6 276	5 024	4 758	2 087	94.7	43.9	41.5
	Thailand	7 226	6 790	4 738	2 569	69.8	54.2	37.8
	India	6 224	4 925	4 660	2 916	94.6	62.6	59.2
	Indonesia	5 601	5 080	4 377	2 478	86.2	56.6	48.8
	Brazil	11 647	6 654	3 964	2 514	59.6	63.4	37.8
	Hong Kong	7 493	6 976	3 021	711	43.3	23.5	10.2
	Pakistan	2 034	1 899	1 774	1 047	93.4	59.0	55.1
	Philippines	2 033	1 800	1 622	773	90.1	47.7	42.9
	Mexico	3 685	1 822	1 586	832	87.0	52.5	45.7
	Sub-total	90 490	77 174	62 227	28 727	80.6	46.2	37.2
	Total	149 164	108 631	74 454	35 727	68.5	48.0	32.9
	% Sub-total/ total	60.7	71.0	83.6	80.4	---	---	---

a/ Provisions gures for the European Union.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Japan	China	17 414	13 794	8 737	1 820	63.3	20.8	13 2
	Rep. of Korea	11 249	7 925	5 529	2 787	69.8	50.4	35.2
	Taiwan (Province of China)	9 150	5 519	3 162	2 128	57.3	67.3	38.5
	Thailand	5 829	3 025	1 303	586	43 1	44.9	19.4
	Indonesia	12 429	6 577	999	498	15.2	49.8	7.6
	Brazil	2 852	1 200	876	797	72.9	91.1	66.4
	Malaysia	6 465	1 760	777	621	44.2	80.0	35.3
	Sub-total	65 388	39 800	21 388	9 237	53 7	43.2	25.2
	Total	115 667	76 789	26 674	12 305	34.7	46.1	16.0
	% Sub-total/ total	56.5	51.8	80.2	75.1	---	---	---
USA (1991)	Mexico	30 443	26 521	13 182	3 838	49.7	29.1	14.5
	Malaysia	6 073	3 791	2 702	1 933	71.3	71.5	51.0
	Thailand	6 069	4 298	2 327	1 471	54.1	63.2	34.2
	Brazil	6 733	4 835	2 026	1 303	41.9	64.3	26.9
	Philippines	3 430	2 410	1 019	822	42.3	80.8	34.1
	Indonesia	3 465	2 602	671	351	25.8	52.3	13.5
	Sub-total	56 214	44 458	21 927	9 718	49.3	44.3	21.9
	Total	95 970	74 039	26 907	13 675	36.3	50.8	18.5
	% Sub-total/ total	58.6	60.0	81.5	71.1	---	---	---

Source: Notifications and UNCTAD calculations.

Annex II

The Cartagena Commitment

(Extract)

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134. The Conference notes that many developing country exports have benefited from GSP treatment, and encourages preference-giving countries to continue to improve and renew the schemes and to extend their operation periods in order to avoid the uncertainty of preferences, bearing in mind the autonomous nature of the schemes.

135. The Conference recommends that preference-giving countries comply with the multilaterally agreed principles of the GSP. Preference-giving countries should consider appropriate adjustment in country coverage. The Conference recognizes that a substantial expansion of product coverage to include hitherto excluded products of current and potential export interest to developing countries would constitute a major improvement in the effectiveness of the GSP, and calls upon preference-giving countries to consider, if possible, comprehensive product coverage, especially in the context of the review of the schemes under way in many preference-giving countries. Limitations and restrictions on preferential imports, as well as withdrawals of preferential benefits, should be minimized, and the rules of origin should be simplified and harmonized, where possible, so as to impart stability, transparency and greater predictability to the schemes and to reduce their complexity.

136. The Conference expresses concern over the incidence of non-tariff measures on the benefits deriving from GSP schemes, and preference-giving countries are urged to make efforts to reduce or eliminate such barriers linked to the schemes.

137. The Conference calls upon preference-giving countries to implement fully the relevant provisions of the Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s in respect of GSP measures in favour of LDCs and urges that special consideration be given to products of export interest to them, in particular to the provision of duty-free access.

138. The Conference urges UNDP and potential donor countries in a position to do so, to increase their contributions to the UNCTAD technical assistance programme on GSP in order to allow developing countries to benefit fully from the system. Those preference-receiving countries and their exporters which have not yet fully taken advantage of the GSP should participate actively in these technical assistance activities.

139. The Conference requests the Special Committee on Preferences to examine the scope and possible modalities for extending preferential treatment to developing countries with respect to goods, in accordance with the principles and objectives underlying the GSP.

140. With MFN rates expected to be brought down pending a successful conclusion of the Uruguay Round, preference-giving countries should consider, where possible, increasing preferential margins and duty-free treatment offered under existing preferential schemes.

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TECHNICAL ASSISTANCE IN CONNECTION WITH THE GENERALIZED SYSTEM OF PREFERENCES

Technical cooperation activities on the generalized system of preferences and other trade laws, 1993

Report by the UNCTAD secretariat

GE.94-50707 (E)

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Annex

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INTRODUCTION AND SUMMARY

1. This report has been prepared to assist the Special Committee on Preferences at its twenty-first session in its consideration of GSP technical cooperation activities. It covers the UNCTAD Technical Cooperation Programme on the Generalized System of Preferences (GSP) and Other Trade Laws 1/ for the period January to December 1993.

2. The delivery of technical cooperation activities on the GSP and other trade laws remained high in 1993. This was mainly owing to an increasing interest on the part of beneficiaries and was made possible by UNDP and trust fund contributions by member States of UNCTAD to the GSP programme.

3. In 1993, some 45 activities were undertaken in all regions of the world. These included 30 training seminars/workshops and 7 advisory missions aimed primarily at assisting preference-receiving countries to make better use of the system and to establish or upgrade GSP focal points. In all, 1,204 participants from 31 preference-receiving countries benefited from these training activities.

4. Total extra-budgetary funding for global GSP activities in 1993 amounted to $877,780 of which UNDP accounted for approximately $256,000 (29 per cent), with the remainder arising from trust fund contributions from States members of UNCTAD. Such trust fund contributions of all kinds amounted to $621,780 in 1993, of which trust funds for specific purposes amounted to $487,250, in-kind contributions to $55,395 and central trust funds to $79,135, or 13 per cent of total funding. The latter amount in central trust funds was made available to undertake activities which service all GSP-related projects in the network.

5. So far, only the Government of Switzerland has made a contribution to the Programme for 1994 amounting to US$ 50,000 and has pledged an additional amount.

6. Countries in Africa and Central and Eastern Europe continue to show an increased awareness and interest in the GSP, leading to more requests for training activities. Furthermore, since the Uruguay Round of multilateral trade negotiations under the auspices of GATT has been successfully concluded, there are likely to be more requests for seminars and advisory missions on GSP and other trade laws, particularly from the Asian and Latin American regions, because the Uruguay Round agreements, to a large extent, will form new trade laws and many preference-giving countries may revise their schemes taking the agreements into account. These activities are particularly important for developing countries that have newly emerging export supply capabilities because the UNCTAD Technical Cooperation Programme on the GSP and Other Trade Laws can assist them in increasing the foreign exchange earnings needed to attain their development objectives. It is important therefore that, at the twenty-first session of the Special Committee on Preferences, States members of UNCTAD consider the question of the financial requirements of the Programme on GSP and Other Trade Laws and mobilize the necessary resources in order to meet the needs of developing countries in these areas.

Chapter I

MOBILIZATION OF SUPPORT FOR TECHNICAL COOPERATION ACTIVITIES ON THE GSP AND OTHER TRADE LAWS

7. The UNCTAD Technical Cooperation Programme on the GSP and Other Trade Laws currently consists of the GSP component of the UNDP-financed Regional Project for Asia and the Pacific, Institutional Capacities for Multilateral Trade (RAS/92/034), and the Geneva-based interregional GSP Programme, which is solely financed by funds in trust. 2/

8. The following three categories of trust fund contributions are made by member States:

(a) First, central trust funds, which provide the only source of finance for the operational aspects of the programme in support of global technical cooperation on the GSP; these are primarily used to cover the salaries of support personnel located in Geneva, travel of experts, consultancies and other administrative and logistical costs; the delivery of technical assistance largely depends on the availability of such funds;

(b) Secondly, trust funds for specific purposes, such as the financing of seminars, provision of associate experts, etc.; and,

(c) Finally, in-kind contributions, such as the provision of experts by preference-giving countries to participate in seminar activities and the provision of seminar materials. 3/

9. Contributions to central trust funds in 1993 came from one preference-receiving country, namely China ($10,000), and from two preference-giving countries, Norway ($40,000) and Sweden ($29,135) yielding a total of $79,135 (see Annex I). 4/ This was equivalent to about one-eighth of the funds available to the programme in that year. In 1993, UNDP funding of GSP technical cooperation came from the National GSP Project for Zimbabwe (ZIM/90/013) ($200,000) and the GSP component of the Regional Project for Asia and the Pacific: Institutional Capacities for Multilateral Trade (RAS/92/034) ($56,000).

10. There was a 23 per cent decline in funding from all sources between 1992 and 1993 from $1,141,490 to $877,780. This was owing to the reduction of UNDP support, from $538,000 to $256,000. Present indications are that a further decline in funding is likely to take place in 1994.

11. Partly as a result of the decline in overall funding, a backlog of requests from developing countries for GSP technical cooperation has developed. This backlog consists of three regional seminars, 22 national

seminars and five advisory missions from the African region (7), the Latin American region (12), the Asian and Pacific region (3) and other regions (8) (see Annex IV). Contributions to the central trust fund are particularly necessary to continue activities in those two geographical areas no longer covered by regional projects, i.e. Latin America and Africa. For the Asian and Pacific regions, GSP technical cooperation forms part of the UNDP/UNCTAD Regional Project of the Asian and Pacific Governments "Institutional Capacities for Multilateral Trade" (RAS/92/034). However, it should be noted that the GSP component of this Project receives only limited funding. Additional central funding of approximately $170,000 is required to maintain seminar activities while a minimum of $250,000 in central funds is required to maintain the Programme.

Chapter II

TECHNICAL COOPERATION ACTIVITIES ON THE GSP AND OTHER TRADE LAWS IN 1993

12. Despite the decline by 23 per cent in the total resources available for technical cooperation in 1993 in relation to 1992, activities undertaken in 1993 numbered 45 (see Annex II). Of these, 20 training seminars were held, 3 at the regional level, 17 at the national level and 10 national workshops. Other activities included fund-raising, advisory missions, lectures and participation in tripartite reviews. In the training activities, 1,204 participants from 31 developing countries were exposed to GSP and other trade laws information. The majority of the participants in the national seminars and workshops represented the private and public trading interests actually using the GSP. Many female entrepreneurs benefited from these activities.

A. Advisory missions

13. Seven advisory missions - to China, Poland and various countries in the South Pacific region - were carried out in 1993. These were largely aimed at the development and improvement of GSP focal points. UNCTAD's computerized information system entitled Trade Analysis and Information System (TRAINS) software package, which includes details of GSP information, was demonstrated and, where necessary, installed during the course of these advisory missions.

B. Training activities

14. As in the past, the UNCTAD GSP programme continued in 1993 to take a very practical approach to the delivery of technical cooperation, with emphasis being given to national seminars and, in this context, to personalized consultations with potential/actual individual exporters and manufacturers to enable them to make better use of the GSP benefits. This practical approach has helped to increase awareness of GSP advantages and GSP utilization and to reduce the problems faced by trading communities in preference-receiving countries, as well as to acquaint new exporters with the GSP benefits available to them.

15. Activities in the African region included a large number of seminars/workshops under the auspices of the UNDP/UNCTAD National GSP Project for Zimbabwe (ZIM/90/013) which ended in December 1993, 3 national seminars for Uganda and Cape Verde and one regional seminar for 14 French-speaking African LDCs. The former national seminars were financed by national projects already established in these countries while the latter was financed by funds earmarked by Switzerland. The Programme also contributed to the activities undertaken by UNCTAD's "training in the field of foreign trade and trade related services" (TRAINFORTRADE) programme, by preparing seminar materials concerning the GSP scheme of the European Union and the Lomé Convention.

16. In the Asian region, workshop-type training activities, which focused on specific schemes and/or topics, such as specific applications of the GSP rules of origin, have become popular, reflecting the advanced stage of economic development and export supply capabilities of countries in this region. This approach should continue to be developed in future activities under the new

UNDP project for the region. For the Pacific region, several advisory missions were undertaken. In addition, the Programme contributed to the activities undertaken by TRAINFORTRADE by participating in two national seminars for the Philippines (February) and Malaysia (May) on trade with the European Union single market after 1992 where the GSP scheme of the European Union and an outline of its trade laws were presented.

17. National seminars were held in the Czech Republic and Bulgaria. The former country had only recently been designated as a beneficiary by many OECD preference-giving countries. Owing to a lack of funds, there were only two training activities in the Latin American and Caribbean region, i.e. a regional seminar for Central American countries and a national seminar for Panama. The former was financed by funds earmarked by Sweden.

18. Many requests were received for national seminars which expose a maximum number of traders and government officials to the intricacies of the various schemes. The seminars, as far as possible, concentrated on product-specific analysis of the particular export interests of each country visited. For least developed country beneficiaries, training on the GSP and, more particularly, on the special measures granted to them under the GSP, has motivated the government officials concerned to examine their position in alternative GSP markets. For advanced developing countries, the Programme tried to emphasize the importance of other trade laws such as anti-dumping and countervailing duty actions, health and safety regulations and the Multi-Fibre Arrangement (MFA), as these measures are becoming more important for their exports to developed-country markets. During training missions, experts visited the GSP focal points and/or export promotion bodies to examine the facilities and to provide practical advice on how to improve them, and on how to obtain all the relevant resource materials necessary for the effective use of the GSP.

19. The feedback arising from training activities and the seminar reports thereon has had the additional benefit of providing inputs to the substantive work undertaken in UNCTAD on the GSP at the annual sessions of the Special Committee on Preferences. UNCTAD staff members involved in the substantive work also participate, where feasible, as experts in seminars and advisory missions. This field experience has given them a greater awareness and deeper understanding of the real problems faced by developing countries in utilizing the GSP (e.g. interpretation of "substantial transformation") and has made a positive contribution to the quality of the substantive work of the GSP Section. The GSP Section staff now receive more than 200 requests a year for GSP information directly from exporters. Thus, technical cooperation in the field has led to widespread knowledge of UNCTAD's expertise in this area.

20. Revised GSP handbooks based on the Harmonized Commodity Description and Coding System (HS) are now distributed during training missions in three languages. Handbooks on the other trade laws affecting exports from developing countries are also made available during missions. The UNCTAD secretariat complements the Programme's training activities by providing detailed computer print-outs of the actual trade flows between the countries visited and the preference-giving countries, including national tariff and sub-tariff line details on non-tariff measures (NTMs) which affect the trade

of these countries. TRAINS, which was distributed to beneficiaries at the nineteenth session of the Special Committee, is now being extensively used and should greatly facilitate increased use of the GSP.

C. Support to specific activities by member States

21. Preference-giving countries financed specific activities in 1993. That year,the Government of Sweden financed a regional seminar for Central American countries, the Government of Switzerland supported a regional seminar for French-speaking African LDCs and the Government of Japan financed a subregional seminar for countries in Indo-China and national seminars in Thailand, the Czech Republic and Bulgaria.

22. The Governments of Austria and Japan, generously provided the Programme with up-to-date manuals, 200 and 300 copies, respectively, on their GSP schemes. The Programme would appreciate receiving further manuals, in adequate quantities, from every preference-giving country, once published, for effective dissemination during training activities.

D. Fund-raising missions

23. In addition to regular contacts with GSP donor countries through their missions in Geneva and correspondence with capitals, three fund-raising missions were undertaken in 1993. Japan was visited twice to secure financing for specific interregional GSP activities as well as supplementary funding for the GSP component of the new UNDP Regional Project for Asia and the Pacific. A mission to Italy was undertaken to seek funding for specific training activities. As a result of these missions, cooperation from these countries will most likely be forthcoming once formalities have been completed by the authorities concerned.

Chapter III

FUTURE OF THE TECHNICAL COOPERATION ACTIVITIES ON THE GSP AND OTHER TRADE LAWS

24. As mentioned above, overall activities in 1993 decreased in comparison to 1992. Funding constraints have left the GSP Programme with 30 outstanding requests for training activities (see Annex IV). This clearly demonstrates the need for continued technical assistance to beneficiary countries.

25. Currently the GSP Technical Cooperation Programme consists of three professionals (a Coordinator and an expert based in Geneva, and an associate expert seconded by the Government of Japan and stationed at Bangkok) and two project secretaries (one in Geneva and another in Bangkok, the latter on a half-time basis). A few years ago, six professionals and three project secretaries were involved with the Programme. Consequently it is becoming more and more difficult to maintain the Programme's activities in terms of both quantity and quality. In order to effectively respond to the growing number of requests, at least one additional expert would be essential.

26. The main objectives of the Programme are:

(a) To make developing countries aware of the potential for trade expansion arising from the GSP system;

(b) To increase the capabilities of developing countries to make use of and to administer the GSP schemes;

(c) To provide them with various regulations and procedures governing trade under these schemes;

(d) To help them establish domestic focal points to facilitate and increase utilization of the GSP; and

(e) To provide information on trade-related regulations such as anti-dumping and countervailing duties, health and sanitary regulations, commodity descriptions and coding systems, etc.

27. While practical experience with the operations of the project shows that these objectives remain fully valid, the Programme anticipates a rising number of requests from beneficiaries for training and advisory missions for the following reasons:

(a) The Uruguay Round agreements will affect every GSP scheme in terms of tariff rates, for instance, and thus every preference-giving country is expected to revise its scheme, although degrees of revision may differ from one scheme to another;

(b) The recent initiatives towards formation of regional economic groupings in Latin America and elsewhere will require precise and detailed information on the regional cumulation facilities currently offered by the three major schemes;

(c) Advanced developing beneficiaries such as NIEs (newly industrialized economies) informally requested the Programme to put more emphasis on training activities on other trade laws as their exports have recently begun to encounter measures under provisions relating, in particular, to anti-dumping and countervailing duty actions. Trading communities in beneficiary countries are not only keen to understand the legal framework of such actions but also wish to gain practical know-how in operational areas such as investigation procedures. As the Uruguay Round agreed to establish new sets of rules (e.g. anti-dumping, safeguards, rules for textiles and clothing, health and sanitary regulations in agricultural trade), and these rules will form an integral part of trade laws in developed country markets, it is clear that the trade laws element of the Programme will become more important;

(d) The recent granting of beneficiary status to countries in Central and Eastern Europe and the Commonwealth of Independent States (CIS), many of which are also preference-giving countries, requires fresh orientations as to how to benefit from the GSP system.

28. Taking into account its financial constraints, the Programme will, to the maximum extent possible, continue to observe the following guidelines to meet the various needs of beneficiaries, in particular, those of LDCs:

(a) Advisory mission approach: For new beneficiaries and beneficiaries whose institutional framework is fragile;

(b) National GSP seminar approach: National seminars aim at informing traders and government officials about the opportunities offered and intricacies of the various GSP schemes, including their rules of origin. Particular emphasis is laid on market opportunities for particular export products of the beneficiary countries. This approach has proven particularly suitable for low- and middle-income countries. One day is usually reserved for individual product-specific consultations with potential and actual GSP users;

(c) Workshop approach: Workshops focus on specific GSP schemes, and frequently on particular issues which pose important problems to enterprises, such as the GSP rules of origin. Increasingly, such workshops deal with particular trade laws affecting exports to preference-giving countries and the effectiveness of GSP, such as the Multi-Fibre Arrangement, anti-dumping and countervailing duty action. This approach is frequently requested by countries which have already acquired experience with the use of GSP.

29. The project will furthermore continue to lay particular emphasis on assisting the least developed and other developing countries which face difficulties to make full use of GSP benefits. Efforts will be continued to assist with the establishment and/or enhancement of GSP focal points in those beneficiary countries.

30. The project will also continue to cooperate with chambers of commerce, export promotion offices and similar institutions offering training on GSP in beneficiary countries, and to provide them with GSP training material such as GSP handbooks, analytical studies and the TRAINS database.

31. The Programme will need to revise handbooks on the GSP and other trade laws reflecting the revision of schemes and the set of agreements reached under the Uruguay Round. The following two types of handbooks will be necessary for use during the Programme's various activities in addition to the revision of GSP handbooks:

(a) Revised handbooks on trade laws in major developed countries: These handbooks would explain the major trade laws that most developed countries implement;

(b) Collection of major international trade agreements: This handbook would contain major agreements and national laws such as GATT provisions, HS Convention, Anti-Dumping Laws that government officials and trading communities in developing countries need to be familiar with.

32. The first phase of the UNCTAD computerized information system (TRAINS), mentioned above, has now been completed. TRAINS has valuably assisted the GSP focal points and trade promotion organizations in carrying out their tasks in disseminating detailed information to exporters/manufacturers on the GSP schemes and related trade measures. TRAINS also assists in product classification and contains national tariff-line information on tariffs, trade, NTMs, applicable rules of origin, major suppliers, growth rates and a list of importers. The second version is now available on CD-ROM. The system has been improved with the inclusion of new features which make it more accessible to final users. The CD-ROM format makes dissemination effective and reliable. In order to retain its effectiveness, the system needs to be updated on a regular basis. A major revision will be needed to incorporate into the database and computer software the results of the Uruguay Round and the changes deriving from the Round for individual GSP schemes. Improvements to the system are also envisaged. However, it should be noted that considerable additional resources will be required if this work is to be accomplished.

33. As there has been a decline in the financial resources available to the GSP Technical Cooperation Programme, the Chairman's summary of the twentieth session of the Special Committee on Preferences underlined that "with a view to meeting the growing number of requests, every possible opportunity for fund-raising should be explored". Since then the Programme has:

(a) Approached all potential and actual donor countries in order to explore the possibility of their contributing, or continuing to make a contribution, to the Programme; and

(b) Made proposals to some member States of UNCTAD for funding of a specific activity and/or a contribution to the central trust funds.

34. In order to maintain or increase the number of training activities and to cope with the decline in resources, the Programme, in 1994, will continue to strengthen its relationship with other United Nations agencies in order to hold joint seminars. (In 1993 a national seminar was jointly organized by ESCAP and UNCTAD.) Moreover, the Programme will explore possibilities for undertaking activities in cooperation with national projects on the external trade sector. This approach had been successful in 1993 (see paragraph 15 above). It is already planned that the Programme will carry out national activities for Syria in 1994, financed by a similar national project.

Notes

1/ The formal title of the trust-fund-financed programme is the "UNCTAD technical cooperation programme on the generalized system of preferences (GSP) and on other trade laws and regulations directly affecting exports of developing countries" (INT/84/A01).

2/ See Note 1.

3/ The following preference-giving countries provided their experts as in-kind contributions: Australia, Austria, Canada, Japan, Sweden, Switzerland and the United States of America. Other in-kind contributions came from one preference-receiving country, namely Thailand. One regional grouping, PTA, also provided support, as did ESCAP.

4/ Central trust funding for the Geneva-based programme in previous years was as follows: 1984 - $162,000; 1985 - $48,754; 1986 - $169,193; 1987 - $100,000; 1988 - $137,000; 1989 - $97,000; 1990 - $103,364; 1991 - $115,678; 1992 - $163,320; and 1993 - $79,135.

Annex I

Summary of contributions to GSP Technical Cooperation Activities in 1992-1993
(in US dollars)

	Estimated in-kind contributions a/		Trust Fund Contributions				Total	
			Specific purposes		Central			
	1992	1993	1992	1993	1992	1993	1992	1993
Australia	3 310	6 030	/	/	/	/	3 310	6 030
Austria	5 985	10 370	/	/			5 985	10 370
Canada	15 785	10 180	/	/			5 785	10 180
Chile	8 800	/	/	/			8 800	/
China	/	/	/	/	10 000	10 000	10 000	10 000
EEC	1 345	/	/	/	/	/	1 345	/
Indonesia	9 900	/	/	/	/	/	9 900	/
Japan	20 145	4 500	150 000	410 680b/	/	/	170 145	415 180
New Zealand	3 300	/	/	/	/	/	3 300	/
Norway	/	/	/	/	40 000	40 000	40 000	40 000
Sweden	/	1 800	77 100c/	/	80 000	29 135	157 100	30 935
Switzerland	9 685	6 390	116 680	76 570	33 320	/	159 685	82 960
Thailand	/	5 400	/	/	/	/	/	5 400
United States of America	7 625	4 850	/	/	/	/	7 625	4 850
ALADI	1 500	/	/	/	/	/	1 500	/
ITC	2 985	/	/	/	/	/	2 985	/
ESCAP	/	1 325	/	/	/	/	/	1 325
PTA	5 665	4 550	/	/	/	/	5 665	4 550
TOTAL	96 030	55 395	343 780	487 250	163 320	79 135	603 130	621 780
UNDP funding (national & regional projects)	/	/	/	/	/	/	538 360	256 000
GRAND TOTAL	---	---	---	---	---	---	1 141 490	877 780

a/ Experts's salary, travel & DSA based on the estimates at the United Nations rate.

b/ Including a Japanese associate expert for 6 months at US$ 40,680 and US$ 120,000 for Indo-China seminar. Figures rounded up.

c/ Contribution by the Government of Sweden for a Regional GSP seminar in Central America in 1993.

Annex II

Estimated expenditures in support of UNDP/UNCTAD global technical cooperation activities through trust-fund and in-kind contributions from preference-giving and receiving countries and other organizations in 1993 (in US dollars)

Activity	No. of Partici-pants	Project Number	Australia	Austria	Canada	Japan	Sweden	Switzer-land	Thai-land	USA	ESCAP	PTA	Sub-total
National seminar on GSP for Zimbabwe, Bulawayo, 18-19 February	17	ZIM/90/013			950a/							950a/	1 900
National seminar on GSP for Uganda, Kampala, 3-5 March	25	UGA/87/009 INT/84/A01											
Workshop on trade laws for Zimbabwe, Harare, 4-5 March	15	ZIM/90/013											
National seminar on GSP for Zimbabwe, Harare, 18-19 March	29	ZIM/90/013	600a/		600a/					600a/		600a/	2 400
National seminar on selected GSP schemes and other trade laws for Panama, Panama City, 24-26 March	37	INT/84/A01			4 680a/					900a/			5 580

Activity	No. of Partici-pants	Project Number	Australia	Austria	Canada	Japan	Sweden	Switzer-land	Thai-land	USA	ESCAP	PTA	Sub-total
Regional seminar on GSP and other trade laws for Central American countries and Panama, Guatemala City, 29 March-2 April	10	INT/84/A01		7 120a/			1 800a/ 77 095b/			300a/			86 405
Workshop on GSP for Bulawayo's clothing and textile sector, Zimbabwe, 6 April	16	ZIM/90/013											
Workshop on GSP for Bulawayo's furniture sector, 7 April	14	ZIM/90/013											
Workshop on GSP for Harare's clothing and textiles sector, Zimbabwe, 22 April	12	ZIM/90/013											
National seminars on market access and preferential treatment for Cape Verde, Praia and Mindelo, 19-23 April	42	CVI/90/002 INT/84/A01											
National seminar on GSP for Zimbabwe, Bulawayo, 29 April	80	ZIM/90/013										575a/	575

Activity	No. of Partici-pants	Project Number	Australia	Austria	Canada	Japan	Sweden	Switzer-land	Thai-land	USA	ESCAP	PTA	Sub-total
Workshop on GSP for Forwarding & Clearing Agents & Financial Institutions, Harare, Zimbabwe, 20 May	36	ZIM/90/013										300a/	300
Workshop on GSP for Forwarding & Clearing Agents & Financial Institutions, Bulawayo, Zimbabwe, 9 June	20	ZIM/90/013										575a/	575
National seminars on GSP and other trade laws for Thailand, Bangkok & Chiang Mai, 21-25 June	127	INT/84/A01				74 635b/				1 500a/			76 135
National seminar on GSP and other trade laws for the Czech Republic, Prague, 20-22 July	27	INT/84/A01	2 120a/	2 260a/		900a/ 41 305b/							46 585
Advisory mission on GSP for Poland, Warsaw, 23 July	N.A.	INT/84/A01											
National seminar on GSP and other trade laws for Bulgaria, Sofia, 27-29 July	56	INT/84/A01	1 760a/	900a/		900a/ 41 305b/							44 865

Activity	No. of Partici-pants	Project Number	Australia	Austria	Canada	Japan	Sweden	Switzer-land	Thai-land	USA	ESCAP	PTA	Sub-total
Workshop on GSP for handicrafts sector, Harare, Zimbabwe, 27 July	13	ZIM/90/013											
Workshop for horticultural sector, Harare, Zimbabwe, 26 August	12	ZIM/90/013											
National GSP seminar for Zimbabwe, Mutare, 16-17 September	26	ZIM/90/013	950a/		950a/					950a/		950a/	3 800
National GSP seminar for Viet Nam, Ho Chi Minh City, 16-17 September	93	RAS/92/034 INT/84/A01									1 325a/		1 325
Regional seminar for French-speaking African least developed countries, Ouagadougou, Burkina Faso, 21-24 September	14	INT/84/A01						6 390a/ 76 570b/					82 960
National GSP seminar for Zimbabwe, Gweru, 5-6 October	16	ZIM/90/013											
Advisory mission on GSP, Beijing, China, 11 October	N.A.	RAS/92/034 INT/84/A01											

Activity	No. of Partici-pants	Project Number	Australia	Austria	Canada	Japan	Sweden	Switzer-land	Thai-land	USA	ESCAP	PTA	Sub-total
National seminars on specific GSP schemes and other trade laws for China, Shanghai & Shenzhen, 13-20 October	398	RAS/92/034 INT/84/A01			2 400a/								2 400
Advisory mission on GSP for Fiji, Suva, 25-29 October	N.A.	RAS/92/034 INT/84/A01											
National GSP seminar for Zimbabwe, Harare, 28-29 October	24	ZIM/90/013	600a/		600a/					600a/		600a/	2 400
Advisory mission on GSP for Tonga, 1-2 November	N.A.	RAS/92/034 INT/84/A01											
Advisory mission on GSP for Samoa, Apia, 3-4 November	N.A.	RAS/92/034 INT/84/A01											
Advisory mission on GSP for Vanuatu, Port Vila, 9-12 November	N.A.	RAS/92/034 INT/84/A01											
Workshop on GSP for processed food sector of Bulawayo, Zimbabwe, 12-13 November	7	ZIM/90/013											

Activity	No. of Partici-pants	Project Number	Australia	Austria	Canada	Japan	Sweden	Switzer-land	Thai-land	USA	ESCAP	PTA	Sub-total
Advisory mission on GSP for Papua New Guinea, Port Moresby, 15-17 November	N.A.	RAS/92/034 INT/84/A01											
Workshop on GSP for processed food sector, Harare, Zimbabwe, 25 November	13	ZIM/90/013											
Regional seminar on market access for countries of Indo-China, Bangkok, Thailand, 14-22 December	25	INT/84/A01 RAS/92/034 RAS/93/130				2 700a/ 120 000b/			5 400a/				128 100
Total			6 030	10 370	10 180	281 745	78 895	82 960	5 400	4 850	1 325	4 550	486 305

Source: UNCTAD secretariat calculations.

a/ Experts' salary, travel & DSA based on the estimates at United Nations rate.
b/ Trust funds for specific seminar activities.

Annex III

Summary table of national and regional seminars including workshops, and participants who received training from 1984 to 1993 by the UNCTAD Technical Cooperation Programme on the GSP (including UNDP-funded regional and national projects)

Year	Number of seminars		Number of participants who received training*
1984	8	(3 regional, 5 national)	414
1985	8	(4 regional, 4 national)	293
1986	14	(3 regional, 11 national)	825
1987	20	(6 regional, 14 national)	1 385
1988	14	(4 regional, 10 national)	918
1989	34	(6 regional, 28 national)	1 887
1990	24	(2 regional, 21 national, 1 national workshops)	1 107
1991	26	(5 regional, 18 national, 3 national workshops)	1 431
1992	22	(1 regional, 12 national, 9 national workshops)	853
1993	30	(3 regional, 17 national, 10 national workshops)	1 204

Source: UNCTAD secretariat calculations.

* Regional seminars: participants usually limited to one or two per country.

Annex IV

List of outstanding requests for GSP technical cooperation activities as of 31 December 1993

Regional

- Arab Cooperation Council countries
- Commonwealth Caribbean countries
- Asian low-income developing countries

National

- Albania
- Algeria
- Burundi
- Chad
- Colombia
- Congo
- Cuba
- Dominica
- El Salvador
- Honduras
- Iraq
- Jamaica
- Mexico
- Paraguay
- Peru
- Philippines
- Poland
- Sri Lanka
- Syrian Arab Republic
- Trinidad and Tobago
- Turkey
- United Arab Emirates

Advisory missions

- Cameroon
- Ecuador
- Gabon
- Jordan
- Zaire